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REPORT

OF THE

ROYAL COMMISSION ON MARITIME CLAIMS

SIR ANDREW RAE DUNCAN, Kt., *Chairman*

HON. W. B. WALLACE

PROF. CYRUS MACMILLAN

F. M. SCLANDERS, F.R.G.S., *Secretary*



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1928

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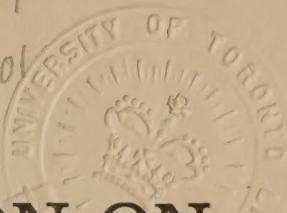
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Canada: Maritime Claims, Royal
Commission on

REPORT CA121

OF THE

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OTTAWA
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PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1926

OTTAWA, ONT., September 23, 1926.

The Honourable the Secretary of State,
Ottawa, Ont.

SIR,—In compliance with Commission dated April 7, 1926, we have the honour to report:—

We held public sessions at Halifax, Saint John, Charlottetown, Sydney, and Montreal. We received evidence from the Governments of the three provinces and also from representative persons in trade, commerce and railway administration, and from private citizens, hearing in all over one hundred witnesses. In addition, we met in informal session with Boards of Trade in a number of towns in the Maritime Provinces and paid informal visits to very many districts in the provinces in order to make ourselves personally acquainted with the general conditions as they prevail in the Maritimes, and with the views of persons engaged in agriculture and fishing.

We also visited Winnipeg in connection with our study of the routing of grain, and held private sessions in Montreal and Ottawa, where we had the opportunity of discussing certain aspects of the problems involved with representative persons.

Appended is our report wherein we deal with the matters falling under the Terms of our Reference.

We attach hereto copy of letter which we received from the Prime Minister on April 17, 1926, and which we have kept in mind as indicating the spirit in which it was desired we should interpret our Terms of Reference.

We have the honour to be, sir,

Your obedient servants,

ANDREW R. DUNCAN.

W. B. WALLACE.

CYRUS MACMILLAN.

PRIME MINISTER'S OFFICE, CANADA

OTTAWA, April 17, 1926.

To the Chairman and Members
of the Maritimes Royal Commission:

GENTLEMEN,—The Government of Canada is asking you to undertake a task of national importance in inquiring into Maritime Province grievances. The scope of the inquiry is indicated in the Order in Council constituting the Commission. My colleagues and I desire to emphasize our conviction that the Commission should not interpret its instructions or its duties in any narrow or technical sense, but should take every opportunity for the fullest and frankest discussion of the economic difficulties facing this part of the Dominion, the endeavours which have been made to overcome them, the causes of any shortcoming in these endeavours, and the most effective and practicable remedies.

The question is not a new one. What is necessary now is to focus the discussion into a practicable program, to take stock of what has been done, of what has been left undone, and of what still may be done.

In carrying on your inquiries, I have no doubt that you will obtain much pertinent and helpful information from individuals and public bodies in the Maritime Provinces, and that you can count upon the full co-operation of the Provincial Governments. The Federal Government will have pleasure in placing at the Commission's disposal the resources of its departments. The activities of the Departments of Agriculture, Marine and Fisheries, Railways and Canals, Public Works, Mines, Immigration, Labour, and Trade and Commerce, the Soldiers' Settlement Board, the Natural Resources Intelligence Service, as well as the Departments of Finance, Customs, and National Defence, have involved much consideration of Maritime problems, and this information will be readily available. Perhaps particular use might be made of the staff and facilities of the Bureau of Statistics, which has available a wide range of data bearing upon practically all phases of Maritime development and Maritime relations.

I am sure that I am speaking for the people of Canada as a whole when I say that it is our earnest desire that the impartial and thorough inquiry which we anticipate will be made will result in clearing away any misunderstanding or lack of appreciation of one another's problems, and will assist in working out constructive policies for the continued development of the Maritime Provinces and the welfare of all parts of our common country.

With all good wishes,

I am, yours sincerely,

(Sgd.) W. L. MACKENZIE KING.

L.S.

BYNG OF VIMY

CANADA

GEORGE THE FIFTH, by the Grace of God, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, Defender of the Faith, Emperor of India.

To all to whom these Presents shall come, or whom the same may in anywise concern, GREETING:

WHEREAS, pursuant to the provisions of Part I of the Inquiries Act, Revised Statutes of Canada, 1906, Chapter 104, His Excellency the Governor General in Council by Order P.C. 505, bearing date the seventh day of April in the year of Our Lord one thousand nine hundred and twenty-six, copy of which is hereunto affixed, has provided for an inquiry and examination by Our Commissioners therein and hereinafter named relative to the conditions and claims of the people of the Maritime Provinces and to make as a result of such inquiry and examination such specific recommendations as in the opinion of Our said Commissioners would result in affording relief from the conditions complained of.

Now KNOW YE, that by and with the advice of our Privy Council for Canada, We do by these Presents nominate, constitute and appoint Sir ANDREW (RAE) DUNCAN, Knight; His Honour WILLIAM BERNARD WALLACE, Judge of the County Court of District number one in the Province of Nova Scotia, and Professor CYRUS MACMILLAN, Master of Arts, Doctor of Philosophy, of McGill University, to be Our Commissioners to conduct such inquiry and examination.

To have, hold, exercise and enjoy the said office, place and trust unto the said Sir Andrew (Rae) Duncan, William Bernard Wallace and Cyrus Macmillan, together with the rights, powers, privileges and emoluments unto the said office, place and trust, of right and by law appertaining during pleasure.

And We do further appoint the said Sir Andrew (Rae) Duncan to be Chairman of Our Commission.

And We do hereby, under the authority of the Revised Statutes respecting Inquiries concerning public matters, confer upon Our said Commissioners the power of summoning before them any witnesses and of requiring them to give evidence on oath, or on solemn affirmation if they are persons entitled to affirm in civil matters, and orally or in writing, and to produce such documents and things as Our said Commissioners shall deem requisite to the full investigation of the matters into which they are hereby appointed to examine.

And Our said Commissioners are hereby authorized to engage the services of such accountants, technical advisers or other experts, clerks, reporters and assistants as they may deem necessary or advisable. And We do hereby require and direct Our said Commissioners to report to Our Governor in Council the result of their inquiry and examination and to make such specific recommendations as the said Order requires.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the Great Seal of Canada to be hereunto affixed. WITNESS:

Our Right Trusty and Well-beloved Julian Hedworth George, Baron Byng of Vimy, General on the retired List and in the reserve of Officers of Our Army, Knight Grand Cross of Our Most Honourable Order of the Bath, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Member of Our Royal Victorian Order, Governor General and Commander in Chief of Our Dominion of Canada.

At Our Government House, in Our City of Ottawa, this seventh day of April in the year of Our Lord one thousand nine hundred and twenty-six and in the sixteenth year of Our Reign.

By Command.

(Sgd.) THOMAS MULVEY,
Under Secretary of State.

(Sgd.) W. STUART EDWARDS, Deputy Minister of Justice, Canada

P.C. 505

*CERTIFIED to be a true copy of a Report of the Committee of the Privy Council,
approved by His Excellency the Governor General on the seventh April,
1926.*

The Committee of the Privy Council have had before them a report, dated sixth April, 1926, from the Right Honourable W. L. Mackenzie King, the Prime Minister, submitting that representations have from time to time been made on behalf of the people of the Maritime Provinces by resolution passed by the Legislature of Nova Scotia, by Boards of Trade and other public bodies and by their representatives in Parliament and the various legislatures, that the interests of the Maritime Provinces have suffered as a result of certain legislative and administrative measures adopted from time to time by the successive Parliaments and Governments of Canada. Such representations relate more particularly to the alleged failure to use Canadian ports for Canadian trade to the extent to which they might be utilized, and to the handicaps said to result from the operation of the schedules of rates chargeable for the carriage of goods on the railways uniting the Maritime Provinces with the other provinces of Canada and to the manner of administering that part of the Canadian National Railways system which was formerly known as the Intercolonial Railway by methods and conditions alleged to be inconsistent with the pledges given at the time of Confederation in regard thereto and with the practice followed from the time of the construction of the railway until December, 1918. These representations have also been directed to the effects of the customs, immigration and other economic policies adopted by successive Governments, of certain financial measures, and of the disposition or allotment to provinces of public lands of Canada, and it is alleged that at the time of the consummation of the Confederation certain pledges were given that such measures would be undertaken and such policies pursued as would insure for the future a satisfactory economic position for these provinces and that these pledges have been disregarded as a result of which the Maritime Provinces have not shared in equal measure the prosperity enjoyed by the Dominion as a whole.

The Prime Minister is also advised that on the 12th day of March, 1926, the Premier of the Province of Nova Scotia presented to the Legislative Assembly a resolution to the effect that his Government is engaged in preparing a memorandum setting forth in detail the claims of that province with the object in view of seeking such adequate redress as will insure a return of contentment and prosperity to the people of that province.

The Prime Minister observes that it is most undesirable that any section of the people of the Maritime Provinces should entertain the opinion that their interests are being knowingly prejudiced, and that the public interest requires that every occasion for the existence of a feeling of grievance should, if possible, be removed.

The Prime Minister submits that, in order to determine how this can best be done, it is necessary that there should be an inquiry into the representations set out above, and into the claims set forth in any memorandum that may be presented in pursuance of the said resolution by the Government of Nova Scotia or in any memorandum on behalf of the Governments of New Brunswick or Prince Edward Island and into representations that may be presented to the Federal Government or to the Commission to be hereafter named relative to the conditions and claims of the people of the Maritime Provinces, and that an examination from a national standpoint of all the factors which peculiarly affect the economic position of the inhabitants of the provinces in question should

be made and that upon the results of such inquiry and examination there should be based specific recommendations which in the opinion of the Commissioners would result in affording relief from the conditions complained of.

The Prime Minister recommends that, for the purpose of making such inquiry and examination, and formulating such recommendations a Royal Commission be constituted under Part I of the Inquiries Act, such Commission to have the special authority specified under section 2 of the said Act, and to be composed of the following persons, namely,—

Sir Andrew (Rae) Duncan, Kt.,

His Honour W. B. Wallace, Judge of the County Court, District No. 1,
Province of Nova Scotia,

Professor Cyrus Macmillan, M.A., Ph.D., McGill University,
of whom the first-named shall be chairman.

The Prime Minister further recommends that the Commission be instructed to make its report as speedily as possible.

The committee concur in the foregoing recommendations and submit the same for Your Excellency's approval.

(Sgd.) E. J. LEMAIRE,
Clerk of the Privy Council.

INTRODUCTION

By arrangement with the Governments of New Brunswick and Prince Edward Island, the Government of Nova Scotia opened their case with a historical survey of the events leading to Confederation in 1867, and of the trade conditions prevailing before and since that date. Independent and unofficial witnesses, and individual citizens whom we met privately in all three provinces, added to our understanding of the general setting. This part of the evidence was of considerable value in helping us to appreciate more completely, not only the point of view from which the problems of these provinces must be approached, but also the spirit and the atmosphere in which the detailed claims presented to us had been formulated.

If, in the course of our report, we dwell rather upon the nature—and the prospects of solution—of the difficulties now to be surmounted to ensure economic welfare and the development of trade and commerce in the three Maritime Provinces, and touch only briefly upon the history of the past, it is because the evidence as a whole left a clear impression upon our minds, first, that the faith and interest of the Maritime Provinces in the general prosperity of Canada are beyond question, and, second, that the Maritime Provinces are sincere in the opinion that a solution of their own problems can, and should, be found within the policies of the Dominion. We feel, however, that it would not be right to pass over entirely the historical argument without expressing certain conclusions we have reached as a result of our study, both of that part of the evidence as it was submitted to us and of such information as we have been able to obtain for ourselves from contemporary sources.

The outstanding fact, it seems to us, is that the Maritime Provinces have not prospered and developed, either in population, or in commercial, industrial and rural enterprise, as fully as other portions of Canada. We are unable to take the view that Confederation, is, of itself, responsible for this fact. The trend and nature of economic development generally throughout the last sixty years has made within the Maritimes changes in the structure of business and employment which are unrelated to Confederation, and which would have taken place whether or not the Maritime Provinces had been independent units outside of Confederation. Even within Confederation there has been such a measure of responsibility resting on each province for its own development that much at least of what has happened within the Maritime Provinces must be related to their responsibility and not to the responsibility of the Dominion.

We are far from saying that the Dominion, within its sphere of control, has done all for the Maritime Provinces which it should have done. But it must not be overlooked that the task which has been placed upon the Federal authorities in bringing such a vast territory as Canada to its present point of growth and prospect has been colossal. The calls made upon its attention and resources by that task may well have prevented it from rendering to the older and well settled communities of the East as much help as these communities were entitled to expect, or as much help as it has afforded to other parts of Canada. It is not possible in such an undertaking as the making of Canada, with its geographical and physical conditions, and its variety of settlement and development, to maintain always an accurate balance, apportioning to every section of this extensive country the exact quality of benefit and quantity of advantage which would be theoretically and justly desirable. But reasonable balance is within accomplishment if there be periodic stocktaking. We venture to regard the present occasion as such a period of stocktaking, so that in the

future progress of the common great enterprise the prospects of the Maritime Provinces may be brought into line with the prospects of other parts of Canada and the prospects of the Dominion as a whole.

It has been represented to us that, in their colonial days with independent governments and their own customs control, the Maritimes were prosperous self-supporting communities, each with a bright future, and that their entry into the Canadian Union has inevitably created disabilities for them without assuring to them the advantages which the statesmen of the time held out as a reasonable expectation. It is not charged that the pledges and promises which were made to the Maritimes in 1867 were made in bad faith, but rather that they have failed of fulfilment, whereas the doubts and fears that the Maritime Provinces themselves entertained at the time of Union have been justified by events. Prophecy is, in all circumstances, sure to be frail if literal performance to the extent predicted, and in the way predicted, be the measure of its fulfilment. But if that be a reasonable measure to apply, then, by that very test, any doubts and fears expressed by the Maritimes in 1867 share no better fate than the promises and pledges that were made to them. Inasmuch as their fears have been realized, it has been in a manner quite different from that which was prophesied and, at least in a considerable measure, from causes that could not have been within the contemplation of those who expressed the doubts. As much indeed was admitted by witnesses who discussed this aspect of the case with us in the course of the evidence, and there were none who would assert, with any degree of positiveness and assurance, to what extent, and in what ways, there could be precise apportionment of fault to Confederation. The truth is that the responsibility of Confederation can only be a matter of speculation and not of proof. If there are directions in which the Maritime Provinces have not progressed, or have declined since 1867, there are many more directions in which they have made enormous advances, and if the former are all to be ascribed to Confederation merely on the general argument of "After the event therefore on account of the event", just as much must be the latter.

We feel that the historical narrative given to us took too little account of the gain to Maritime trade arising from the reciprocity arrangements of 1854-66, and the reactions of the American Civil War, and too little account of the changes that were bound to follow the abrogation of the Reciprocity Treaty which was practically coincident with Confederation. It took too little account also of all the other factors that have been operating in commerce, industry and the general field of economics within the last sixty years. The influences of world changes in economic conditions have not passed by the Maritime Provinces, although the changes may have been so gradual, and so imperceptible in their actual operation as not to be noticed and traced year by year—and we cite particularly the case of the Maritime Provinces' lapse from shipbuilding and shipowning due to changes in the character of ocean transportation. These provinces were old-established colonies, with a great measure of growth and settlement behind them, and, from that very fact alone, it was more difficult for them to adjust themselves to changing conditions than it was for younger provinces whose development was only proceeding, and proceeding in the light of the economic changes of the time, or for the older provinces which were located nearer to these developing territories, and also had an extension to their own boundaries.

These are all aspects which it is necessary to bear in mind when considering the situation in which the Maritime Provinces find themselves to-day in relation to the rest of Canada. They must be borne in mind, too, when examining what can now be done to give the Maritime Provinces their rightful place in a prospering Dominion.

One more historical feature we must mention. It would not be straining history to say that the Maritime Provinces were themselves among the first to give birth to the vision of a confederated Dominion, and that leaders of thought

in these provinces who considered it to be their duty to oppose Union in 1867, did so not so much because they were opposed to the conception of Confederation but because of the particular circumstances in which it took form. A not unimportant feature of these circumstances was that Maritime trade had grown considerably since 1855, because of the conditions to which we have already referred, and the temporary character of that trade (particularly with the abrogation of reciprocity) could not at that particular moment be so well realized as in the retrospect of to-day. We believe that unbiased consideration of the history of the Maritime Provinces, from a period dating thirty-five years earlier than 1867, leads to the view that Maritime faith was strong in the future of the Dominion of Canada as a complete and cemented constitutional entity, and as an integral part of the great British Empire. The faith was as strong as it was in the minds of those who ultimately accomplished Confederation in 1867 and whose declaration in the British North America Act, that such a Union "would conduce to the welfare of the provinces and promote the interests of the British Empire," is not very different, even in words, from what statesmen of the Maritime Provinces themselves had made very many years before that date. In whatever way history is the more truthfully to be read, the fact remains that the changes which have taken place during the sixty years in which Confederation has been in existence, make it impracticable to put back "the round of time" to 1867. The Maritime Provinces to-day are different in the structure of their enterprise from what they were in 1867, and their potentialities are even greater to-day than they were then. Confederation, too, is no longer an experiment. Its achievements in the complicated art of nation-building have brought it to a point of development which more than justifies the hopes and the vision of the early builders. The Maritime Provinces have produced, in every walk of life, men who have played a high part in the story of achievement. We believe that the claims which these provinces have submitted in connection with the present condition, and the future possibilities, of their own part of the Dominion, should now be reviewed with sympathetic consideration and understanding, so that in approaching the future a better balance of territorial prosperity can be assured, and the original hope of Confederation—unity, prosperity and contentment for all the provinces, as well as for the whole of Canada—can be made capable of realization.

We believe it to be in this hope, and in this spirit, that, without exception, every witness who has appeared has tried to help us to appreciate their problems.

I. MONEY GRANTS TO PROVINCES

1. *Financial Arrangements between the Dominion and the Provinces.*

A very considerable portion of the case submitted by the governments of the three provinces dealt with the financial arrangements between them and the federal authorities. The submission of the Nova Scotia Government in particular contained a very full and comprehensive review of these arrangements from the date of Confederation down to the present time, and the other governments, in addition to associating themselves with the case presented by the Nova Scotia Government, added particulars in respect of their own positions.

Prior to Confederation, the chief revenue in the provinces had been collected by means of customs and excise duties. It was necessary, therefore, that the Dominion, in taking over to their treasury all customs and excise duties, should assist the provinces by specific grants to maintain the machinery of government.

The payments which the Dominion Government undertook to make to the provinces may be divided into two general groups: (a) grants paid yearly to the several provinces for the support of their governments and legislatures, and (b) interest on debt allowances.

2. Provincial Payments.

In 1867 the grants given for the support of provincial governments and legislatures were (within certain limits) of a fixed amount, and were not on a scale that increased with the increase of population or the expansion of Dominion income. It was, apparently, an accepted theory of those times that the functions of government should be limited to a minimum. The Dominion intended that the provinces should not make a gain out of their grant and should be discouraged from over-spending. It was felt that if they had to fall back upon their own people for additional revenue, in the event of over-spending, there would be an effective check upon them. So much of deliberate intention on the part of the Dominion is to be gathered from the records of the time. The policy may have been a wise one, but it clearly was too rigid and inelastic when we bear in mind the development which has taken place in the intervening years in the conception of the machinery and functions of government.

As time and ideas developed, Dominion income was expanding from those very sources which the provinces had yielded up to it, while provincial revenue derived from the Dominion grants remained stationary, and the provinces had either to accommodate themselves to fresh avenues of revenue, in spite of popular disfavour, or to make claims to the Dominion Government for special consideration. The relations of provincial governments to the Dominion Government became a record of complaint and demand, and yet there was no general revision of these grants until 1907.

Sir Wilfrid Laurier, in addressing the House in 1907 (Hansard 1906-7, Vol. 3, Col. 5297), said:—

"I have to observe to the House that even with this addition which was made to the original text of the Quebec resolution time has shown that, if the principle be admitted of a contribution being made from the Dominion Treasury to the provinces, the provision made by the British North America Act for contributions to the provinces has proved to be absolutely insufficient and inadequate. The experience of forty years has brought this fact again and again to the attention of Parliament and the people of Canada; . . . not once, not twice, nor thrice, but periodically and systematically Parliament has been asked, at almost regular intervals, to vote in favour of now one province and now another province appropriations far in excess of anything that had been stipulated by the British North America Act. . . . All these have been made by Parliament without any plan, without any guiding principle, but simply as the expediency of the moment suggested, or rather as the financial difficulties of one province or the other were more or less urgent."

From the records, as we have examined them, we reach the conclusion that Nova Scotia was peculiarly unfortunate in the treatment which was accorded to the claims she pressed forward to the Dominion Government from time to time, with the result that no consideration—apart from the "Better Terms" of 1869, which were, in fact, an adjustment made as at 1867—was given her to meet what she regarded as her special wants and interests. We have looked carefully at the claims she advanced, and we have formed the opinion that the Dominion representatives were too overweighted with the fear that any concession to Nova Scotia might have reactions elsewhere. They were also, of course, anxious to emphasize always the doctrine that provinces should not feel they could spend as they liked and look to the Dominion Government to take them out of their difficulties.

We cannot say, as a result of our examination, that strict legal justice may not have been done to Nova Scotia. But in view of the feeling that had been engendered in the province, and in view also of the unfortunate commercial and industrial reactions which had accompanied Confederation—whether or not caused by it—it would have been wiser if the Dominion representatives had looked at Nova Scotia's claims from a broad equitable standpoint rather than from strict legal and contract considerations. At any rate, the result has been to prevent the healing which time and sympathetic understanding might well

have achieved, to leave on the mind of Nova Scotia a sense of continuing injustice, and a feeling that, had her numbers and influence been greater, better treatment would have been accorded to her.

3. Readjustment of 1907.

We feel it necessary, and desirable, to record so much as our opinion before proceeding to consider the major question which is now raised in this connection by the Maritime Provinces. Briefly stated, their argument is:—

1. That the rearrangement of 1907 in respect of all provinces was an inadequate assessment of what the Dominion Government should concede by way of grants for the machinery of provincial government and legislation.

The following table will illustrate sufficiently:—

(a) The total of Dominion payments to all the provinces (keeping in mind that provinces were added from time to time), and
 (b) The income derived by the Dominion Government from Customs and Excise.

Fiscal year ended	(a) Total of payments to all provinces (including new provinces from the time they were added).	(b) Income derived by Dominion Government from Customs and Excise.
	\$	\$ cts.
1868.....	2,753,966	11,580,968 25
1869.....	2,604,050	10,982,908 20
1874.....	3,752,751	19,920,096 48
1886.....	4,182,526	25,215,213 21
1899.....	4,250,636	34,791,972 21
1906.....	6,726,373	60,063,597 19
1908.....	9,032,775	72,982,427 93
1912.....	10,281,045	104,313,534 15
1922.....	12,211,924	142,441,851 66
1925.....	12,281,391	146,750,360 74

It will be seen that Dominion revenue from customs and excise has expanded in much greater ratio than have the total payments to the provinces.

The following table shows the amounts paid to the provinces individually in the last five years of the preceding table:—

—	Fiscal Year 1905-6	Fiscal Year 1907-8	Fiscal Year 1911-12	Fiscal Year 1921-22	Fiscal Year 1924-25
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Alberta.....	1,124,125 00	1,212,458 34	1,260,722 20	1,628,638 20	1,674,435 00
British Columbia.....	307,076 66	522,076 66	713,780 66	738,816 66	738,816 66
Manitoba.....	608,947 06	751,497 46	833,642 26	1,470,991 36	1,501,551 36
New Brunswick.....	491,360 96	621,360 96	637,975 36	666,765 76	666,765 76
Nova Scotia.....	432,805 56	610,464 76	636,670 06	661,866 06	661,853 67
Ontario.....	1,339,287 28	2,128,772 08	2,396,429 28	2,642,611 68	2,642,611 68
Prince Edward Island.....	211,931 88	281,931 88	281,931 88	381,931 88	381,931 88
Quebec.....	1,086,713 48	1,686,579 08	1,971,704 68	2,256,419 88	2,256,419 88
Saskatchewan.....	1,124,125 00	1,217,633 67	1,548,188 60	1,763,883 00	1,757,005 00
	6,726,372 88	9,032,774 89	10,281,044 98	12,211,924 48	12,281,390 89

On the occasion of the 1907 revision there was incorporated—so far as grants to the provinces for the support of their governments and legislatures were concerned—the principle of automatic increase in relation to growth of population. There was a proposal at the time that the grants to the provinces should be a fixed percentage of the revenue which the Dominion derived from

customs and excise but it was not adopted. The Maritime Provinces pressed upon us the advantage of such an arrangement. Taking the payments to provinces as shown above for the fiscal year 1924-25, the following are the payments in respect of grants for the support of governments and legislatures:—

Alberta	\$706,560 00
British Columbia	609,665 00
Manitoba	710,960 00
New Brunswick	490,300 80
Nova Scotia	609,069 60
Ontario	2,500,197 20
Prince Edward Island	187,262 40
Quebec	2,128,959 20
Saskatchewan	882,880 00

2. Not only—their argument proceeds—was the 1907 settlement inadequate when it was made, but it is still more inadequate to-day, in the light of the further changes that have taken place within the last twenty years, in the accepted activities of governments.

3. Even had the settlement been adequate in 1907 and there had been no changes over the last twenty years in the conception of government machinery and activity, the fall which has taken place in the purchasing power of money—as a consequence of war and post-war conditions—renders, they say, the 1907 arrangement thoroughly inadequate to-day. Governments, like individuals, must buy the commodities and services which they use at the prevailing scale of prices. Inasmuch as costs in all directions have risen, the sums fixed in 1907 do not now give the provinces the financial assistance (in money value) which the Dominion then intended they should have.

4. Whatever view may be held by other provinces as to the adequacy or inadequacy of the 1907 arrangement, they contend that, for small provinces with stationary population—such as the Maritimes—the allowance is inadequate. In population, e.g., since 1911, the Maritime Provinces have increased by only 10 per cent while Ontario and Quebec have increased by 25 per cent, and the western provinces and British Columbia have increased by 60 per cent. It must be kept in mind also that there has been a considerable migration of young people from the Maritime Provinces—in part, at least to the central and western provinces. The significance of this drain and its relation to potential growth can be seen from a careful perusal of the following table taken from page 101 of the Canada Year Book (1925):—

17. PROPORTION PER 1,000 OF THE POPULATION BY AGE-PERIODS, BY PROVINCES, 1921, WITH TOTALS FOR 1911

Provinces	0-9 years	10-19 years	20-44 years	45-69 years	70 years and over	Age not given
Prince Edward Island.....	218.83	204.31	312.33	203.79	60.24	0.50
Nova Scotia.....	229.58	208.32	331.50	182.53	47.26	0.81
New Brunswick.....	247.07	213.41	327.19	172.58	38.53	1.22
Quebec.....	264.22	219.26	335.09	150.52	27.08	3.83
Ontario.....	207.66	180.66	377.44	197.82	34.87	1.55
Manitoba.....	258.99	197.44	379.89	145.82	16.87	0.99
Saskatchewan.....	289.93	190.67	382.89	123.82	11.65	1.04
Alberta.....	262.36	183.38	400.39	141.18	11.70	0.99
British Columbia.....	198.31	158.07	424.57	198.89	18.42	1.74
Average for Canada, 1921...	239.68	195.14	365.27	169.38	28.11	2.42
Average for Canada, 1911...	231.83	191.59	385.35	158.03	28.12	5.09

N.B.—The statistics for the Yukon and the Northwest Territories are not given in the table but are included in the total population of Canada.

There is, they put it, a broad minimum which must be regarded as a necessary overhead expense below which provinces cannot maintain their government activities. That minimum is, in their circumstances of population, too low under the 1907 arrangement, and it is still farther too low in the light of costs to-day. Lest it might be suggested that from this point of view the burden on the Maritime Provinces could be eased by their becoming united into one province, we think it necessary to mention that evidence was given in advocacy of that course. The subject of Maritime Union is one which we do not feel falls strictly within our Terms of Reference, as it is a matter for the provinces themselves to pronounce upon. Their "separateness" is not, in any sense, an incident of Confederation or a circumstance arising out of Dominion policy or relationship. We feel bound to express the view, however, that, so far as saving in overhead expenses is concerned, we are not seriously impressed with the argument that any financial saving which would arise could materially affect the present condition of their finances, even if Maritime Union would produce the other advantages which it is alleged would result.

These arguments raise certain considerations which go beyond our Terms of Reference. We do not conceive ourselves to be empowered to pass judgment upon the character or adequacy of the settlement of 1907, in so far as the challenge rests on general grounds applicable to all other provinces as well as to the Maritimes.

In so far as the Maritime Provinces attack the settlement on the ground that it does not afford them, as small provinces with stationary populations, a sufficient minimum, and that the fall in the purchasing power of their allotted grants bears, therefore, much more harshly on them than on other provinces, we think we are empowered to form a judgment on the argument, particularly when we find that, as provinces, they are getting into debt, and the contentment of their people is being seriously disturbed.

In trying to form a judgment on this subject, we have applied tests—such as: (a) Is the expenditure which the provinces are incurring reasonable? and (b) Are they accepting, in a reasonable measure the underlying principle of the whole of this branch of finance, namely, that provinces are expected to supplement their revenues from sources of their own, or are they expecting to be free to spend as they like and to look to the Dominion to meet the bill?

We have gone over the provincial accounts of the three provinces in detail. The scope of administration—take public works as an example—has certainly increased, and it is not easy to draw a hard and fast line as to where government machinery ends. But many departments of their activity are being run at a surprisingly low cost, and we feel satisfied that they certainly are not on the whole incurring unreasonable expenditure. Nor do we feel that in view of the burdens they are carrying they can be expected to meet from their own revenues the increased cost of their machinery of government.

Their expenditure on roads and bridges has been heavy. They have been influenced, no doubt, by a desire to avail themselves of the appropriation offered by the Dominion Government to provincial governments to aid them in expenditure for these purposes. It is an inevitable consequence of this form of percentage subvention, that provinces are encouraged to undertake special expenditure which they may not be able to support unless and until the scheme on which the expenditure is made increases their prosperity. Recovery from industrial and commercial depression has not, so far as the Maritime Provinces are concerned, been marked enough yet to put them in a position of sustaining the additional burdens they have undertaken in respect not only of roads but other schemes for which Dominion subvention has been available. In any event, considerable

road and bridge expenditure was unavoidable if the load of modern road traffic was to be sustained, if the trade and commerce of the provinces were to be properly developed, and if tourist traffic had to be encouraged.

Their present revenues from provincial taxation are insufficient to balance their budget, and do not provide sufficiently for depreciation through sinking funds. Their capital expenditure, too, has been increasing. We are bound to keep in mind that the depressed condition of the Maritime Provinces, the contraction there has been in the revenue from their natural resources (which in the case of Nova Scotia has been accentuated by industrial troubles), and the absence of large scale commercial and industrial enterprises make the problem of provincial taxation for them a very serious one indeed, especially when regard is had to the extent to which the Dominion has itself invaded the field of direct taxation which was open to the provincial legislatures under the British North America Act of 1867 (See. 92).

On this question of adequacy of provincial taxation, we feel that "per capita" yield is not an entirely fair measure to apply. Regard must be had to the value of the production of the provinces. Applying the test of "unit of production" yield, we find, from the information shown in the publications of the Dominion Bureau of Statistics, that the average for all Canada (so far as provincial taxation is concerned) is less than 2.5 per cent on gross value, while in the Maritimes it is over 3 per cent. We are satisfied that they do recognize that provinces are expected to supplement their revenues from sources of their own, and that their present financial position does not arise from any misconception such as that provinces should be free to spend as they like and to look to the Government to meet the bill. A review of their financial operations over a long period suggests frugal expenditure. On a full consideration of their arguments and their circumstances, we think the Maritime Provinces have made out a case for a revision of the grant from the Dominion in support of their government machinery and activity.

4. *Public Debt Allowances.*

At Confederation, the Dominion assumed responsibility for the debts and liabilities of each province entering Confederation, and fixed a debt allowance, having regard to the assets of the provinces at the time, up to the amount of which their public debt, whether attaching to the assets or otherwise contracted, would be met at the expense of the Dominion. If the public debt fell short of the sum allowed, they received 5 per cent interest on the difference from the Dominion, and if it exceeded the sum allowed they paid 5 per cent to the Dominion.

The burden of the case made in the Maritime Provinces, in respect of public debt allowances, fines itself down to a very definite point. The greater part of their public debt at the time of Confederation represented railway construction costs, and although the Dominion took over as their property "railways, and railway stocks, mortgages, and other debts due by railway companies" (British North America Act, 1867, Third Schedule), they charged against the provincial debt allowance the bonds of the provinces issued for railway purposes then outstanding. The Maritime Provinces were, in this regard, dealt with no differently from other provinces, until the western provinces were constituted. In the case of the western provinces, a debt allowance was fixed on the same basis of amount as for the other provinces, but not, in their case, on the basis of assets which were to be transferred to the Dominion, for they had no assets. So that, in fact, a new principle was imported into the conception of public debt allowances. The Maritime Provinces argue that they are, as from the date of that change in principle, entitled to have that portion of their public debt, which attached to assets taken over by the Dominion, eliminated in determining the extent to which the debt allowance originally given to them should bear a reduction.

The following table shows the payments made in respect of interest on debt allowance to the Maritime Provinces, and to the western provinces, for the financial year 1924-25:—

Nova Scotia	\$ 52,784 07
New Brunswick	26,464 96
Prince Edward Island	38,789 58
Manitoba	381,584 18
Alberta	405,375 00
Saskatchewan	405,375 00

The capital amount of Maritime provincial railway debt as at date of Confederation (on railways taken over by the Dominion at Confederation) is in round figures as follows:—

Nova Scotia	\$ 6,000,000
New Brunswick	5,000,000
Prince Edward Island (entered Confederation 1873)	3,000,000

These capital amounts have been deducted from the debt allowance in calculating the interest on debt allowance paid annually by the Dominion to the provinces. In addition, the Maritime Provinces have drawn on their debt allowances since 1867 for railway expenditures, and these also would have to be taken into account in any reconsideration and assessment under this heading.

We find ourselves in agreement with the contention of the Maritime Provinces that they have been, and are being, dealt with differently from the western provinces, and we think they are entitled to have their allowance reconsidered.

5. Public Lands.

The Maritime Provinces also submitted a claim in respect that the extra-provincial lands which came into the possession of the Dominion Government at the date of Confederation were acquired by purchase and they have been developed and given value at the expense of the Dominion.

Of the original parties to Confederation, Nova Scotia and New Brunswick alone have received no accession to their territory. Quebec and Ontario have both had considerable addition to theirs, and the rest of the vast lands acquired, containing resources of incalculable value, is being held in trust for, or being allotted to other provinces of the Dominion.

The Maritime Provinces claim was put forward partly on the ground of proprietary (partnership) right, and partly on the ground of equitable consideration. Particular attention was directed to the arrangements made in connection with school lands in respect of Manitoba, Saskatchewan, and Alberta. It was recognized by the Maritime Provinces that any adjustments that might be thought right for the Dominion to make in their favour on this branch of their claim raised questions of policy and assessment which it would not be possible or proper for us to attempt to adjudicate upon in any final form, and they did not, therefore, submit a claim in detail. They did, however, emphasize to us that the amounts derived from school lands, and made available to the western provinces for the purposes of education, were many times greater than the appropriations which the Maritime Provinces are making, or could possibly make out of their own revenues for the maintenance of their systems of public instruction—even remembering the revenue they derive from their natural resources—and that the disabilities which they, as Maritime Provinces, were now suffering in this respect, made a revision of the whole question of their Dominion grants the more pressing. They directed our attention also to the statement of the then Prime Minister (Sir Robert Borden) in the Dominion Parliament on February 27, 1912 (Hansard 1911-12, Vol. 2, Col. 3896), as follows:—

“This question of extending the boundaries of Manitoba has been before Parliament for a very long time and therefore it seemed to the Government, whether rightly or wrongly,

that the best course now was to put the province of Manitoba as nearly as might be in the position of the provinces of Alberta and Saskatchewan, and then take up after due consideration, and upon proper inquiry, the question of restoring to all these three provinces their natural resources upon terms that would be just and reasonable. I would like to point out to my honourable friend (Mr. Oliver) that one of his own colleagues on that side of the House has raised an important question this afternoon, and has expressed views with which perhaps my honourable friend (Mr. Oliver) may not be inclined to concur; namely, that when this question does come to be considered, some regard will have to be given to the claims of some other provinces in Canada, and especially the three Maritime Provinces whose boundaries have not been increased, whose boundaries cannot very well be increased on account of their natural situation. That is a matter that will have to be taken up in connection with the handing over of their natural resources to the three Prairie Provinces. I would like my honourable friends from the Maritime Provinces to understand that this is a matter which has not escaped the attention of the Government."

We do not feel it necessary to make a full examination of the contention of the Maritime Provinces on this branch of their claims, since, as already indicated, we are not expected to reach any final conclusion upon it. The Maritime Provinces discussed it not in a spirit of antagonism to the western provinces, but rather from the point of view that, *in result*, the financial arrangements which the Dominion has made for these provinces have been much more liberal and fair than the arrangements as they apply to the Maritimes themselves, and that they have had no increase of their territory while both Ontario and Quebec have had increases. We do feel it right to say that it is a subject-matter upon which—quite apart from any question as to whether an argument could reasonably be sustained on proprietary right—consideration should be given to the Maritime Provinces.

Associated with this class of claim there was a special case submitted to us by the Government of Prince Edward Island.

Prince Edward Island joined Confederation in 1873. The province never had Crown lands in the general meaning of the term. Its lands were held by proprietors who had received them in grant from the British Crown, and who leased them to settlers. In 1853 the legislature of the then colony empowered the Government to purchase the land from the proprietors and to sell it outright to settlers. Approximately three-fifths of the land was bought from the proprietors before Confederation, either by the Government, which paid for it out of current revenue, or by the tenants themselves.

One of the terms and conditions of that province's entry into Confederation was:—

"That as the Government of Prince Edward Island holds no land from the Crown, and consequently enjoys no revenue from that source for the construction and maintenance of local works, the Dominion Government shall pay by half-yearly instalments, in advance, to the Government of Prince Edward Island, forty-five thousand dollars per annum, less interest at five per centum per annum, upon any sum not exceeding eight hundred thousand dollars, which the Dominion Government may advance to the Prince Edward Island Government for the purchase of lands now held by large proprietors."

Advances were drawn by the province against the sum allowed in the foregoing provision to nearly the full extent for the purpose of buying out the remaining absentee proprietorships and transferring the lands to their own settlers.

In the nature of things, the transaction was a costly one to the province, both from the point of view of its administrative expense and loss of interest. There was, in addition, a net cash loss of \$190,000 on the principal outlay. The Government submitted to us a detailed claim showing a very considerable gross loss on these land transactions.

The consequence has been that, in point of fact, the province has never had any beneficial enjoyment of the provision which was made for them "in lieu of public lands" on their entry into Confederation, and they argue that the special circumstances surrounding the transaction are so different from what was in contemplation both by the Dominion Government and themselves when the provision was made, that they should not be deprived of their annual payment in its full amount.

The claim is, of course, a very belated one, but it is advanced, as we understand it, on very broad equitable grounds rather than upon strict contract. We think it must be looked at in the general financial revision or readjustment which we are suggesting for the Maritime Provinces.

6. Conclusion on Financial Arrangements.

It follows from what we have said, that both in respect of grants for the machinery of governments and in respect of debt allowances, the Maritime Provinces have satisfied us that they have a genuine claim to a readjustment of the financial arrangements that exist between the Dominion and themselves, and that in any readjustment their territorial limitations entitle them to still further consideration.

The terms of readjustment are obviously a matter for detailed determination and assessment, so that the actual amount—as well as the reasons and purposes attaching to it—can be recognized by the rest of Canada as fair and equitable. It is not possible, therefore, to make a final recommendation as to the increase and form of Dominion aid which is required to satisfy the just claims of the Maritime situation, but we recommend that the Dominion Government should give immediate consideration to the whole of this subject, with a view to a complete revision of the financial arrangements as between them and the Maritime Provinces. We do not feel, however, that it would be right or wise that the Maritime Provinces, in their present state of grave necessity, with deficits accumulating against them in their ordinary revenue and expenditure, should be left in suspense until a reassessment is made by the Dominion Government, and accordingly we recommend that immediate interim lump-sum increases should be made in the payments to the three Maritime Provinces as follows:—

Nova Scotia	\$875,000
New Brunswick	600,000
Prince Edward Island	125,000

These interim payments should be continued until the Dominion Government has had time to complete its investigation and reassessment.

We are strengthened in making this recommendation as to an interim payment by the resolution passed unanimously at the Inter-Provincial conference held at Ottawa in June, 1926, brought to our notice by the Nova Scotia Government as follows:—

"That this conference expresses its sympathy with those provinces which by reason of conditions peculiar to them have not progressed as anticipated and urges upon the Federal Government that it should favourably consider affording relief to each of such provinces in a form that will ameliorate these conditions."

In suggesting the foregoing sums we have fixed what we believe to be the minimum addition that the three Maritime Provinces should have in any such revision, particularly taking into account past history and the fact that in some aspects of their claim there is a retrospective or retroactive feature. They claimed that any revision should provide for a fixed sum in respect of the retroactive element. We are unable to recommend that form of payment, but have preferred to take the retrospective feature into account in naming a minimum. We believe it is a sufficient minimum interim payment to ensure that the governments of these provinces will approach any stable settlement of their financial relationships with the Dominion not in a spirit of meticulous bargaining but in the broad spirit which arises from a feeling of their being met with sympathy and fairness rather than with narrow compromise. These payments, also, will enable the provinces to undertake the more extensive program in relation to agriculture, colonization, education and other spheres of administration, which, they represented to us, they were precluded from undertaking now because of the inadequacy of their assistance from the Dominion Government.

II. TRANSPORTATION AND FREIGHT RATES

7. *Maritime Railways.*

For all practical purposes, the rail transportation services of Nova Scotia and Prince Edward Island are controlled by the Canadian National Railways. The other great transcontinental system, the Canadian Pacific Railway, has its Atlantic terminus at St. John, N.B., and serves the Province of New Brunswick in direct line, and on small branches. The Canadian National Railways also have a main line direct through New Brunswick, and handle the greater portion of the tonnage of the three Maritime Provinces taken together—for example, it is estimated that the system handles between 70 per cent and 80 per cent of the total tonnage of the three provinces. Partly for this reason, and partly also on account of the history of the Intercolonial Railway (which forms the greater part of the Maritimes portion of the Canadian National Railways), evidence submitted to us related almost entirely to the Canadian National Railways system.

8. *History of Intercolonial Railway.*

The construction of the Intercolonial Railway was an obligation placed upon the Dominion Government by section 145 of the British North America Act, 1867, which reads as follows:—

“Inasmuch as the Provinces of Canada, Nova Scotia and New Brunswick have joined in a Declaration that the construction of the Intercolonial Railway is essential to the Consolidation of the Union of British North America, and to the Assent thereto of Nova Scotia and New Brunswick, and have consequently agreed that provision should be made for its immediate construction by the Government of Canada: Therefore, in order to give effect to that Agreement, it shall be the duty of the Government and Parliament of Canada to provide for the commencement within six months after the Union, of a railway connecting the river St. Lawrence with the city of Halifax in Nova Scotia, and for the construction thereof without intermission, and the completion thereof with all practicable speed.”

For many years before Confederation the project of such a railway was actively canvassed both in the Maritime Provinces and in Upper and Lower Canada, not only as an element in the political consolidation of the four provinces but even as a channel of mutual commerce and trading. The Maritime point of view is fairly reflected in the following quotation from the arguments of a Nova Scotian delegation in 1857:—

“An Intercolonial railroad would give the means of communication at present wanting. It would open to Canada an Atlantic seaboard on British soil, from which she is now cut off; and would offer to the Lower provinces a ready access to the vast field of enterprise and progress occupied by their fellow subjects in the interior. It would prove a benefit of incalculable value, should it be the precursor of, as it is an absolute necessity towards, a legislative union of Her Majesty's North American provinces—a measure essential to the full development of the power which their situation and character are calculated to confer, and without which they never can attain the high position to which their united energies and advantages would lead them.”

It is unnecessary to pursue the arguments in detail. From some angles it could, no doubt, be urged that the construction of the railway was as much a concession to the demands of the Maritime Provinces as an inducement held out by the other provinces to make Confederation more attractive to the Maritimes. We think, however, that a balanced study of the events and pronouncements prior to Confederation, and at its consummation, confirms the representations submitted to us on behalf of the Maritime Governments in regard to the ultimate construction of the railway, *viz.*—

- (a) That leading Canadian statesmen in urging the adherence of the Maritime Provinces to Confederation defined the purposes of the railroad to be
 - (i) A means of affording to Canadian merchandise, and to Canada herself in times of national and imperial need, an outlet and inlet on the Atlantic ocean—available all the year round—and

- (ii) To afford to Maritime merchants, traders and manufacturers, a market of several millions of people instead of their being restricted to the small and scattered populations of the Maritimes themselves, particularly in the light of the disturbance with which their trade was threatened as the result of the discontinuance by the United States of the reciprocal arrangements that had prevailed.
- (b) That strategic considerations determined the actual course of the line—making it many miles (estimated by Sir Sandford Fleming at 250 miles) longer than was necessary—if the only consideration had been “to connect the cities of the Maritime Provinces with those of the St. Lawrence.”
- (c) That to the extent that commercial considerations were subordinate to *national, imperial and strategic* considerations, the cost would be borne by the Dominion and not by the traffic that might pass over the line.

9. Rate Structure of Intercolonial Railway.

The Intercolonial Railway was completed in 1876, and it would appear from the evidence we have received that from then until 1912 the interests of the Maritime Provinces were fairly well safeguarded, the freight rate structure being such as to take into account the requirements of their traffic. The lower level of rates that prevailed on the Intercolonial Railway system prior to 1912 is, in our view, rightly to be interpreted as the fulfilment by successive governments of the policy and pledges that surrounded the railway from its inception, whatever impressions may have been created by the form of its administration.

Since 1912, changes have taken place in the framework of the rate structure, and increases have been added to the freight rates. The combined effect of these has been to impose upon the merchandise and industry of the Maritimes, a burden which, it is alleged, is quite out of proportion to the increase which has been added since 1912 to the freight structure in other parts of Canada, although it may, in many cases, only have raised Intercolonial Railway rates to the same level of scale as rates in other places.

The net result of these changes is broadly shown by the figures given in evidence by the railway administration who, at our request, furnished us with statistics to show the position now as compared with 1912 for the Intercolonial Railway and for the rest of Canada. These figures reveal that Intercolonial rates have suffered an estimated cumulative increase of 92 per cent (i.e., their 100 has become 192). The estimated average increase of rates for the rest of Canada is 55 per cent (i.e., their 100 has become 155).

10. Effect of changes in Rate Structures on Maritimes.

The Maritimes case on railway rates was put to us in very considerable detail. The Railway Commission is at the present time dealing with these same details, and we have not formed any opinion on these matters so far as a judgment on their merits would involve consideration of railway administration and policy. On the broader question, however, of the incidence of the existing rates as a whole upon industry and employment in the Maritimes, we have come very definitely to the conclusion that the rate structure as it has been altered since 1912 has placed upon the trade and commerce of the Maritime Provinces, (a) a burden which, as we have read the pronouncements and obligations undertaken at Confederation, it was never intended it should bear, and (b) a burden which is, in fact, responsible in very considerable measure for depressing abnormally in the Maritimes to-day business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood.

11. *Recommendation on Freight Rates.*

We conceive this to be a position with which—quite apart from details of particular rates—it is our function to deal, and a position which must be dealt with drastically and promptly. We take this view the more readily since the President of the Canadian National Railways system did not dissent from Sir Sandford Fleming's railway estimate that, for strategic reasons, the Intercolonial had followed a course approximately 250 miles greater than would have been followed had it been built merely for commercial purposes. He further explained that, owing to grades and curvature, the operating and maintenance expenses of this branch of the railway were much greater than the average of the rest of the system, and, still further, that winter conditions in the Maritime Provinces necessitated special expenditure arising from snow and ice conditions—and consequent delays in traffic transit—much in excess of what were experienced in other parts of the system. It is true that the operation of the Atlantic Division has shown an operating deficit in recent years in spite of the higher rate structure (including general war increases) that has been imposed on it since 1912. But there are many considerations to be taken into account in considering that deficit. For our present purpose, it is more material to notice that the President of the Canadian National Railways admitted in evidence, that in administering the Atlantic Division (the greater portion of which is the old Intercolonial system), no account is being taken in the rate structure of to-day of the special considerations which attach to it as revealed in the pledges and pronouncements already referred to. We feel that the increase arising from the changes that have taken place in freight rates since 1912—over and above the general increase that has taken place in other parts of the National system—is as fair a measure as can be made of these special considerations, and accordingly should be transferred from the Maritimes to the Dominion so that the original intention may be observed.

We recommend, therefore, that an immediate reduction of 20 per cent (so that 192 will become approximately 155) be made on all rates charged on traffic which both originates and terminates at stations in the Atlantic Division of the Canadian National Railways (including export and import traffic, by sea, from and to that division), and that the same reduction be also applied to the Atlantic Division proportion of the through rates on all traffic which originates at stations in the Atlantic Division (excluding import traffic by sea), and is destined to points outside the Atlantic Division.

For this purpose, we cannot regard the Atlantic Division as ending at Riviere du Loup and Monk, which are its present western limits. The divisional points should, in our view, be Diamond Junction and Levis, Diamond Junction being the point at which the Transcontinental Railway meets the old Intercolonial Railway, and Levis the point to which, in 1879, the Intercolonial Railway was extended.

It might be contended that a flat rate reduction of the amount we name, and in the manner we name, is open to the objection, that it does not restore the pre-1912 relativity of rates within the provinces themselves, and that it is not an accurate assessment of the charges that arise from the considerations in mind. We do not believe—and the Canadian National Railways have informed us that they also do not believe—that any more accurate or equitable result could be obtained by minute and scientific investigation, which would, in any event, take an indefinite time to conduct. The situation is one that can only be dealt with in a broad spirit, and one that for the economic welfare of the Maritimes must be met without delay. The course we suggest has the effect of giving immediate relief in a manner that is equitable as well as broad. The cost of this relief should be definitely borne by the Dominion Government, who will make the necessary reimbursement to the Canadian National Railways through the medium of the Canadian National Railways Budget, without

impairing the financial results of the operation of the system. We are not overlooking that the other great railway system operating in the area would be entitled to equitable consideration if they find themselves prejudiced as a result of the reduction proposed.

The immediate operation of this reduction will not withdraw from the purview of the Railway Commission the detailed claims which are already before them in respect of Maritime rates. It will only have the effect of withdrawing from the Railway Commission any review of these claims in so far as they are supported by arguments that relate to the considerations to which we have alluded in recommending the reduction. Considerations such as attach only to individual claims, or to the general question as to whether or not railway companies should give better treatment than they are giving to long-distance traffic, particularly on natural products and associated enterprise, and to export and import rates from and to points outside the Maritime area passing through Atlantic ports, are still open for review by the Railway Commission. So also is the question of the retention of open gateways at St. John and Ste. Rosalie Junctions, the importance attaching to which was impressed upon us in relation to Maritime trade.

We venture to express some suggestions on a more general aspect of these Maritime claims when we discuss the functions of the Railway Commission. Here it is enough to indicate the principle upon which we are proceeding, namely, that all arguments in connection with Maritime rates, in so far as they rest upon national, imperial and strategic conditions, attaching to the Intercolonial Railway, can be broadly assessed on the basis of the reduction which we recommend.

We think that this broad measuring, once and for all, of these considerations has such decided advantages that it should not be qualified or delayed by minor criticisms. It separates completely considerations of national public policy from considerations of railway policy proper. It restores the original purposes of the Intercolonial Railway as interpreted by the freight structure prior to 1912, without withdrawing it from the consolidated system of National railways, a step which we think would be retrograde, and, in the end, very unsatisfactory. The cost of the reduction is a matter that can be measured definitely and conclusively for each financial period without any complication or confusion to the financial operations of the consolidated system,—a feature that, in our view, is almost as important as the avoidance of complication in the practical operations of the system.

12. *Scope of the Railway Commission's functions.*

Even with this larger question out of the way, there still remain certain problems in connection with railway administration that, while they have a general application over the whole system, have a special bearing on the position of the Maritime Provinces. The President of the Canadian National Railways system agreed that it was part of his function, as head of the railway system he was administering, to make a survey of the natural basic products of the country, and to try within broad limits to adjust his rate structure so as to give the fullest chance of development to all natural products in whatever region of his system they are located. He likewise regarded it as his function to make a survey of the industrial possibilities of the whole territory covered by his system, to see whether industries placed at a distance from a central market, particularly when they were capable of development which might ultimately render them either directly or through associated enterprise, remunerative to the railway, were given a reasonable chance of finding their market. Considerable evidence was placed before us on the part of the Maritime Provinces, to indicate that in both these respects they suffered handicaps under the present structure of rates—even apart from the special features attaching to the railway system of their area for which we have already recommended provision.

The President of the Canadian National Railways system indicated that he proposed to establish between the railway administration and the Maritime Provinces a closer and more ready contact than exists to-day. It is his intention to establish an office of his own at Moncton where he can personally spend a certain amount of time periodically, to see whether by closer association there can be a better appreciation of each other's problems. This we regard as an important and significant step, as it will ensure to the Maritime Provinces (in so far as they, in an organized and systematic way, avail themselves of it) the opportunity of reviewing from time to time with the head of the National Railways trade and railway problems that specially concern them. These will include the question of more speedy transportation, a subject upon which—particularly as regards fish and perishable freight generally—we heard considerable complaint in the course of the evidence. The railway administration also indicated their readiness to consider special arrangements for faster transit for fish.

In addition, the cases which the Maritime Provinces have already submitted to the Railway Commission also raise the question of handicaps arising from the geographical position of their natural products, and their distance generally from central markets. If we were satisfied that under their present power the Railway Commission could adequately deal, on appeal, with the broader aspect of the Maritime cases before them, we would make no further comment. Previous judgments of the Railway Board, however, lead us to fear that they will not feel competent to deal with such broad considerations as are still involved in these Maritime claims. We cite, in particular, the following extracts from the Board's Judgments:—

(*Vol. 13, pp. 260-261—Application of District Board of Trade, Coalhurst, Alberta.*)

"The Board under the Railway Act has no profit and loss responsibility, and its intervention in the matter of rates must, as has been indicated, be concerned with matters falling within the categories of reasonableness and unjust discrimination, and not with a policy of the development of industries through rate adjustments."

(*Imperial Rice Milling Co. vs. C.P. Railway Co., 14 Canadian Railway Cases, 375.*)

"The Board has no power to regulate tolls, for the purpose of equalizing cost of production, or geographical, or climatic, or economic conditions."

(*British Columbia News Co. vs. Express Traffic Association, 14 Canadian Railway Cases, 178.*)

"It is not the Board's function, as delegated by Parliament, to make rates to develop business, but to deal with the reasonableness of rates, either on complaint or of its own motion. . . . As it has not been established that the rates as charged are unreasonable, the Board is not justified in ordering the installation of the experimental rates asked for."

The conclusion to be drawn from these extracts seems to us to be that the Railway Commission does not feel itself empowered to pass under its review, when appeals are made to it, the same wide range of business considerations which railway companies themselves can take into account in forming a judgment as to the extent to which they should develop trade and business.

We are far from suggesting that there should be arbitrary interference on the part of the Railway Commission with the business judgment of the railway companies, or that there should be any confusion between trade development that can reasonably be expected from a railway rate structure, and trade development that must be a matter for public or government responsibility quite apart from rate structure. Much of the evidence we heard in the Maritimes left the impression on our minds that witnesses thought the railways should be operated to the advantage of the trader irrespective of the financial results to the railway. In other words, what a railway administration might concede, in the exercise of its judgment on what was good business or might ultimately be good business for itself, seemed to us to be demanded as a matter of right by the trader so that his own business might be profitably developed whether the

operations of the railway were remunerative or not. Even if there were no privately owned railway company, the business interests of which must be fairly considered and safeguarded, we cannot conceive of a national system being efficiently administered on such a principle as that. On the other hand, from a public point of view, in return for the statutory and other public privileges which railway companies enjoy, it may not be unreasonable that there should be a responsible review of their policy (as interpreted in their rate structure) in its relation to the natural basic products of the country, and the development of these products and associated enterprises.

At present the work of the Railway Commission is circumscribed within the two considerations, viz:—

- (a) Reasonable compensation to the carrying company, and
- (b) No unfair preference or unjust discrimination as between traders.

Section 320 of the Railway Act seems to give the wider powers that we have in mind to the Railway Commission, so far as the question of undue preference or unjust discrimination may be involved:—

“320. In deciding whether a lower toll, or difference in treatment, does or does not amount to an undue preference or an unjust discrimination, the Board may consider whether such lower toll, or difference in treatment is necessary for the purpose of securing, in the interests of the public the traffic in respect of which it is made, and whether such object cannot be attained without unduly reducing the higher toll.”

Even there we feel that, if the intention was to have larger national interests in mind, the section should be made clearer, and instead of the words “in the interests of the public” (which might be interpreted as in the interests of the “consuming” public), the words should clearly state that it is national interests (both “producing” and “consuming”) that are in mind. If this was not the original intention of the section, we suggest it is the intention which should now be imported into it. We feel further that a similar extension of authority should be imparted to the Railway Board in regard to the question of reasonable compensation. It would then be competent for the Railway Board to make a survey of just the very character that the President of the Canadian National Railways testified as being part of his function (as the business head of a railway); and if from public policy they felt that an experimental rate should be conceded, they should be free to constitute the rate, even although it might not, at the time, or of itself, give reasonable compensation to the railway company.

We recognize, however, that amongst the business considerations which must always be taken into account in a review of this kind are:—

- (a) A proper balancing of the structure of railway rates so that on the whole (though not in a particular item of business) there would be not only reasonable compensation to the railway company for the carrying services it renders but such reasonable compensation over all as to permit of a certain amount of trade development.
- (b) A means of ascertaining whether, in fact, the rate asked for is necessary to the producing or trading interest, bearing in mind that a reduced rate may be pressed for when trading results might show it was not required, or on the other hand, when trade could not be very much developed even if the rate asked for were conceded.

If the Railway Board is to be vested—as we think it should be—and we recommend that it should be—with the somewhat fuller supervisory responsibility that we have indicated, we think it should also be vested—and recommend accordingly—with power, in weighing an application that raised these considerations, to order an accounting investigation at their own hand, into the incidence of the railway charge on the costs of production of the commodity, and its relationship to other costs, and to the general trading results of the interest involved.

We wish to emphasize that this is a field of thought into which we have not carelessly wandered. It has been forced upon our attention by the geographical and other difficulties which the evidence we received in the Maritime Provinces made it clear parts of the country at long distance from central markets were bound to suffer from; and we had the advantage of hearing from the Chief Commissioner, who met us at our request, as to the powers of the Railway Commission at the present time.

We must add that we were surprised to find, in the course of our investigation, business people who were in some cases prepared to press for a reduction in railway rates without regard to whether the rate was reasonable compensation to the railway or not, and without regard to whether it formed a large or small proportion of the total cost of their commodity, or whether other items entering into their costs were more capable of bearing a reduction, or even as to whether their trading results required it.

13. Incidence of "Horizontal" war Increases.

There is one further very important feature of the railway situation, as it affects the Maritimes, which calls for special mention. In one sense it is connected with the problems that we have been discussing, but its immediate incidence is not so inter-connected with the general problem as to make it impossible to deal with it separately. Indeed the reaction of the burden which it imposes is so great that, in our view, it should be dealt with as a special problem. We refer to the system under which, during the late war, flat percentage increases (known as "horizontal increases"), were added to railway rates. We quote, merely as an example, figures submitted to us by the British Empire Steel Corporation in respect of iron and steel articles which show, as briefly as it can be shown, exactly how this system of flat percentage advances has operated:—

STATEMENT of rates on iron and steel articles from Trenton, N.S., and Hamilton, Ont., showing percentage of increase rates in effect 1926 over 1916—
Rates to the points shown below, and the additional cost per gross ton which the increase represents.

LIST OF COMMODITIES ON WHICH RATES APPLY

Angle Bars Bars	Bolts Fish Plates	Nuts Rivets	Spikes Splice Bars
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—	From Trenton, N.S.						From Hamilton, Ont.					
	Rate in Cents per 100 lbs.		Rate in Dollars per Gross Tons		Percent- age of Increase	Increase in Dollars per Gross Ton	Rate in Cents per 100 lbs.		Rate in Dollars per Gross Ton		Percent- age of Increase	Increase in Dollars per Gross Ton
	1916	1926	1916	1926	—	—	1916	1926	1916	1926	—	—
Brantford, Ont.....	28 $\frac{1}{2}$	54	6.38	12.10	89	5.72	.08	14 $\frac{1}{2}$	1.79	3.25	81	1.46
Georgetown, Ont.....	27 $\frac{1}{2}$	52 $\frac{1}{2}$	6.16	11.76	91	5.60	.10	18	2.24	4.03	80	1.79
Harriston, Ont.....	34 $\frac{1}{2}$	65	7.73	14.56	80	6.83	.15	27 $\frac{1}{2}$	3.36	6.16	83	2.80

By the mere operation of railway increases—and having no relation to any other business considerations—the burden which a Trenton plant has to meet now as compared with a Hamilton plant is much greater in money than it was formerly.

The railway administration, in giving evidence before us, agreed that long-distance traffic, particularly heavy traffic, had been seriously prejudiced by the operation of the horizontal increase. It was, they said, their opinion that even on the present level of class rates, and considering expenses, the higher class goods are not carrying their full share of the expense of operations. They had made the suggestion to the Board of Railway Commissioners some two years

ago—at a time when a reduction in class rates was being considered—that instead of reducing the class rates they should select what was considered basic commodities, such as grain, forest products, coal, iron and steel. The Railway Board, we were informed by the railway administration, felt themselves prevented from working out the proposition in that way, since when the advances were made they were made horizontally, and some declaration had been made at the time that when reductions came they also would be made horizontally.

In view of the importance of railway rates to long-distance and heavy traffic, we have no hesitation in recommending that the matter should be taken into fresh consideration by the Railway Commission, that they should be relieved from the necessity of regarding themselves as bound by any such declaration as is referred to, but should be free to consider the whole question on its merits.

14. *Transportation for Prince Edward Island.*

There are two features of transportation as it affects Prince Edward Island that call for special mention.

(a) *Prince Edward Island Railway.*—The railway administration admitted that there was substantial foundation for much of the complaint we heard in Prince Edward Island with regard to the railway service there. It appears that in view of the character of the roadbed and the succession of heavy curves and heavy grades, the difficulties which railway operations incur, and the inconvenience which the public suffers, cannot be quickly and substantially lessened without a measure of capital expenditure. Such improvements as the railway administration could effect, if they had to be undertaken out of the revenues appropriated to the Atlantic Division each year for maintenance, would take a long time to complete.

We recommend that the railway administration should be asked to make a survey of what is required in this connection, and that the department should make capital provision for the improvements to be undertaken within the shortest possible time.

We heard considerable complaint also with reference to the train service between Moncton and the island, but the railway administration stated in evidence that they would make arrangements for the improvement of this service.

(b) *Prince Edward Island Car Ferry.*—The terms and conditions upon which Prince Edward Island was admitted into Confederation in 1873 contained the following provision:—

"Efficient steam service for the conveyance of mails and passengers to be established and maintained between the Island and the mainland of the Dominion, winter and summer, thus placing the island in continuous communication with the Intercolonial Railway and the railway system of the Dominion."

The present car ferry affords a much improved service as compared with that which the island formerly enjoyed, but in recent years traffic and freight have considerably increased, and will continue to increase, particularly at certain seasons of the year. When the present ferry steamer was constructed, it was not contemplated that there would be motor car traffic to be taken care of, and the arrangements at the piers are, from the point of view of this traffic, very unsatisfactory. There have been many complaints by visitors and tourists. During the winter there are frequent calls made upon the present ferry steamer, by reason of other craft getting into difficulties and the steamer requiring to proceed to their aid; and at times when the ferry steamer is undergoing overhaul, the boat taking its place is unsuited for the purpose. Altogether the ferry boat service is unsatisfactory. The railway administration admitted that there was need for supplemental provision being made in the form either of a second ferry boat or a special freight boat. We recommend that the matter be gone

into from the point of view of placing at the disposal of the island such satisfactory means of communication as will ensure as regular and complete a service as can reasonably be made. We further recommend that, so far as the ferry boat service is concerned, it should not be run as part of the railway operations, but should be run by the railway administration under separate account for the department. We feel that, by reason of its association with railway accounts, this service does not get the attention it should receive.

III. PORT DEVELOPMENT AND EXPORT TRADE

15. *Canadian Trade and Canadian Ports.*

Very considerable evidence was laid before us on behalf of the Maritime Provinces, to show that in the public pronouncements of responsible Ministers over a long period of time, and indeed in the statutory obligations under which railway companies operate, there is to be found the most explicit pledge that Canadian trade will be developed through Canadian ports, and yet, in spite of that pledge, ports such as Halifax and St. John are, it is stated, not being fully utilized. This is a subject on which, in its more general aspects, we are not called upon to form a view, or express an opinion, especially since in the Terms of Reference made to the Board of Railway Commissioners under Order in Council dated January 7, 1926, they are specifically required to "inquire into the causes of Canadian grain and other products being routed or diverted to other than Canadian ports and to take such effective action under the Railway Act, 1919, as the Board may deem necessary to ensure, as far as possible, the routing of Canadian grain and other products through Canadian ports".

We do not feel, however, that we would be exhausting our own Terms of Reference if we did not take some notice of what we believe to be serious misapprehension in the public mind in the Maritime Provinces as to the proximate cause of the difficulties in the way of development at Halifax and St. John.

Over a series of years, the merchandising of the grain crops of the West in the markets of the world has been built up on a delicate mechanism which cannot be suddenly or violently disturbed without creating chaos, and even disaster. The routing has been determined not by reference to railway haul entirely but by the need for concentrating the grain at a key position which commands a range of ports where—because of the quantity and variety of ocean tonnage available—the shipper can be sure of finding cargo space within the shortest possible time for the quantity and destination of his shipment, at any given moment.

In much of the criticism we heard in the course of evidence in the Maritime Provinces, it was assumed that the railway haul was the most important consideration in connection with the routing of grain, and it was argued that the Canadian National Railways—for example, so far as Halifax is concerned—was following a policy of neglecting Halifax as a port of shipment. We are satisfied, as a result of our investigation on this point, that such grain as went to Halifax last year was, in fact, the direct result of the efforts of the President and Vice-President of the Canadian National Railways, and that the difficulties that were experienced in connection with the shipment of even that limited quantity (about one million bushels) arose from the inadequate loading accommodation provided for the elevator at Halifax. We were assured by the interests which shipped the grain through that port last winter, that given increased accommodation considerably more grain would be shipped and that, in fact, the only limit to shipments would be what could—by combination of rail and sea facilities—be effectively marketed.

We also received evidence which showed delay and loss arising at St. John through lack of accommodation ampler than they have for handling winter traffic generally. We are not overlooking that in respect of both ports there was considerable complaint that grain traffic was not routed to them in summer, but we feel that the availability of cargo space is an element in the routing of grain which has not been given sufficient consideration by them in making this complaint.

16. Statutory Harbour Commissions recommended for Halifax and St. John.

We are satisfied that neither at Halifax nor at St. John—although developments at St. John have been more extensive than at Halifax—is it possible, in present circumstances, to secure adequate port development. We recommend that, in respect of each of these two harbours, the Federal Government should establish a statutory Harbour Commission, whose business it would be to see that the port facilities are developed on such a scale as will gradually—but by no means slowly—create channels through which trade can expand both winter and summer. The development of a port is as much a matter of mechanical and technical equipment, business organization and practical administration, as is the development of any extensive manufacturing or industrial business.

We believe it is in the public interest of Canada, and in the interest of the future growth and expansion of its activities, that its Atlantic ports should be developed, just as it has been that its railways and canals should be developed—though development of these has naturally come first. We believe also from the evidence we have had that, under existing conditions of proprietorship at these ports, there will neither be inducement enough, nor impetus enough, to create really great ports, since for some time, at all events, it will be necessary to create facilities even ahead of expansion of trade. All that the Fathers of Confederation said about the importance to Canada of outlets and inlets on the Atlantic ocean open all the year round is as true to-day as it was then (and is indeed, from a commercial point of view, more immediately true now than then), and, in respect to ports—as well as in respect to the railways—the experience of the late war is fresh enough in mind to illustrate one phase of the national viewpoint and national necessity.

17. Port Development and Maritime Trade.

We think the beneficial reaction arising to the trading and commercial interests of the Maritime Provinces by reason of grain and other products passing through their ports has been much exaggerated, although grain exports may be of considerable value as basic cargo when other freight is also available. In the character of modern shipping, there would be very definite limitations to port development based only on traffic that was, as it were, merely piloted through a given channel.

Port development must be built upon the basis of a balanced and diversified traffic, and on the basis also of diversified markets. It is, therefore, necessary to avoid easy optimism in this matter of port development. On the other hand, one must not minimize the contribution which technical organization and efficient port administration could make to the revival of agricultural, industrial and commercial enterprise within all three Maritime Provinces themselves, nor must one minimize, either, the contribution which such revival of Maritime province activity could in turn make to the successful development of these ports. In this respect, it seems to us that the declared ocean policy of the Dominion can, with proper organization, be co-ordinated with Maritime province trade, so as to render a service to those interests in the Maritime Provinces which, by their nature, cannot enjoy much advantage from certain other aspects of Dominion trade policy.

We doubt whether it is sufficiently realized to what extent, in an unforeseen but inexorable way, enterprise within the three Maritime Provinces has been checked as a result of their maritime development not having kept abreast of the transformation which in the last half century has been taking place in sea transportation, not only as regards the character, size, and speed of shipping tonnage but also as regards the port requirements for handling it. Both in the nature of the basic products of the Maritime Provinces, and in the advantage which their maritime location gave them, access to world markets was in former times their greatest asset. In ownership of tonnage, and in the service that tonnage rendered to them in transportation of commodities around their own regions, as well as for their overseas markets and return trade, they had a most valuable source of income, a source of income too which helped materially to maintain the balance of trade. Access to world markets is still, in many respects, more important to them for some of their natural products—though not for all—than access to internal Canadian markets. Events outside their control may have closed to them some overseas markets which were at one time available, or may have made these markets less profitable, but initiative and enterprise can supplement old markets with new so long as sea communication is maintained abreast of the times in equipment, facilities and organization. From the formal evidence we heard, and as much from the informal evidence we obtained in pursuing our investigations in the smaller centres and in country districts, we formed the opinion that a considerable impetus could be given to agricultural and other pursuits in these provinces by greater trade and commercial organization directed upon a maritime policy.

It is not possible, within a short space of time, to make good the leeway which delayed attention has created. But we must not, on the other hand, underestimate the rapidity with which development of traffic can be expedited through the development of facilities for handling the traffic (including requisite cold storage), and through making known, by all the sources that are open to the energetic administration of harbour commissions, in the shipping exchanges of the world, and to shippers, the facilities that are offered at any given port. It would be a function of the harbour commission to survey and study the possibility of developing the export trade of the Maritime Provinces. In the recommendation we make as to a public commission, we do not have in mind Maritime province trade standing by itself. We have also in mind the development of that trade as a factor in the development of the port, co-ordinated with the very substantial nucleus of shipping traffic that already attaches to the Ports of Halifax and St. John, and co-ordinated also with the other factors which the commission's organization would influence and direct. These include the wider export (including grain shipments) and import traffic that can be organized all the year round if the full advantage is to accrue to Canada from such arrangements as lie at the foundation of their policy in regard to trade through Canadian ports, railways, trade treaties, British preference provisions, and immigration.

Mere reiteration of such a general slogan as "Canadian trade for Canadian ports" may stir sentiment (and we are not belittling sentiment, although its business value must not be exaggerated), but it will certainly not develop traffic beyond the point at which there are facilities to deal with the traffic and there is organization to ensure the regulation and flow of the traffic, or beyond the point at which these facilities and that organization both from the point of view of land and sea transit, can place goods in the markets of the world on a competitive basis. It is to be remembered, too, that even in Canadian ports—and particularly at Montreal where port development has reached a very high level indeed—considerable tonnage is being handled which is not Canadian, either in origin or in destination.

We had, at our request, a private session with the Montreal Harbour Commission and, by hearing from them the steps they took to survey and

stimulate production in their immediate territory as well as wider afield, we are confirmed in our view as to what Harbour Commissions (constituted of business and experienced persons) at Halifax and St. John could do in stimulating the trade of the Maritime Provinces.

We express the hope that the recommendation we make with regard to a public commission for each of these two ports will not only be accepted but will be acted upon promptly. Already there has been considerable irritation in the Maritime Provinces at the neglect of the development of trade through their ports, and we feel that that neglect cannot be made good unless port facilities are taken in hand, and unless also the ocean policy of Canada is not so much declared in general terms as organized in detail.

18. *Harbour Facilities in Prince Edward Island.*

From the evidence we received in Prince Edward Island, we are satisfied that port development at Halifax and St. John will be of considerable help to the general trading of the island as well, by ensuring to them readier access to their markets. But in addition, so far as they are concerned—especially as regards the important and valuable potato crop they have developed—considerable harbour improvements are necessary at the ports of Charlottetown, Georgetown and Summerside, all of which are owned by the Dominion. These are improvements that should not be left to be done by the railway, but should be undertaken by the Public Works Department. We recommend that the Public Works Department make an immediate survey of these harbours, particularly as to wharfage and storage accommodation, with a view to adequate provision being made to meet the needs of the island's produce.

IV. TRADE POLICY—FOREST PRODUCE, FISHERIES, COAL AND STEEL

19. *Trade Policy.*

It is our belief that the recommendations which we have already made in regard to financial adjustments as between the Dominion and the Maritime Provinces, will assure to them a substantial measure of relief on the financial side. We believe also that our recommendations in regard to transportation costs and port development will be of very considerable help to their industry and commerce, but the problems of the Maritime Provinces are not entirely exhausted even by these provisions. Anxiety indeed was shown both by official government witnesses, and by the very numerous trade and other independent witnesses we heard lest, in a solution of their difficulties, we stopped short of considering the other aspects that arise from the character of their natural basic products, namely, agriculture, fish, timber and coal. In our view, no greater dis-service could be done than to evade deliberate decision on subject matters that lie at the very foundation of the economic prosperity of these provinces.

Agriculture we deal with in a separate section of this report. With regard to coal, the evidence we received related more to the development of markets within Canada, and we shall deal with that later along with the associated enterprise of steel; but forest products and fish both raise the same aspect of trade policy.

20. *Forest Products and Fish.*

Let us first set out a few relevant facts to show the importance of these two products to the provinces.

(a) *Forest Products.*—Forest production for the year 1924 was 35 per cent of the total production of New Brunswick, 7 per cent of that of Nova Scotia, and 4 per cent of that of Prince Edward Island. Apart from the production of

firewood, ties, rails, poles, posts, etc., for which no definite figures are available, the lumber industry consists, first, of the manufacture from raw materials produced by operations in the woods, of dressed lumber, or board measure lumber, laths and shingles, and, second, the manufacture of pulp and paper, an industry of comparatively recent development. The latter includes three forms of industrial activity: the operations in the forest with pulpwood as the product, the manufacture of pulp, and the manufacture of paper. The value of the output of lumber, laths and shingles manufactured in the Maritime Provinces in 1924 was approximately \$18,000,000, or over 12 per cent of the total value of such output in all Canada. The value of the pulp production in 1924 was slightly less than \$8,000,000, or 9 per cent of the total value of that produced in all Canada. Fourteen pulp and paper mills operated in the Maritime Provinces in 1924. The average number of persons employed in the production of pulp was 15,000, and the capital invested in pulp mills and buildings was over \$30,000,000.

Forest product industries are of more importance to the province of New Brunswick than to the other two Maritime Provinces. Out of a total production in 1924 valued at \$128,000,000, their forest production was valued at \$45,000,000. This is a much larger percentage than in those other provinces of Canada in which the lumber industry is an important factor. For example, in British Columbia forest products form but 29 per cent of the total production; in Quebec, 14 per cent; and in Ontario, 7.7 per cent. The lumber industry paid to the Government of New Brunswick in 1925 in stumpage fees, timber licenses and bonuses, 37 per cent of the province's total revenue. Of the total freight tonnage way-billed for export from stations in the Atlantic Division of the Canadian National Railways, in 1925, nearly 50 per cent consisted of lumber and wood products.

During recent years the general lumber industry, particularly the saw-mill industry, has declined, due to economic world conditions and a lack of a foreign market, at any rate for the present. The pulp and paper industry, on the other hand, has greatly developed. This latter industry is capable of still greater expansion in New Brunswick, where the timber is largely of black spruce, which makes the highest grade of paper, and where the annual growth is equal to that of any other part of the world. The material for further development exists there in abundance—raw material, potential power and waterways. Its significance from a labour employment point of view is illustrated by figures which were submitted to us, showing that the cost of converting a thousand feet of logs into newsprint is approximately \$10 greater than the cost of converting a thousand feet of logs into lumber.

In so far as freight rates have operated against the successful development of forest products, the recommendation which we have made in respect of transportation charges is a certain measure of relief, and appeal to the Railway Commission is still open to the industry on other aspects of the railway rate question.

On the question of markets, witnesses who appeared before us from New Brunswick expressed the unanimous opinion that a trade treaty with the United States in respect of forest products would greatly benefit the industry in the Maritime Provinces and result in extensive development. Newsprint already enters the United States free of duty, and we were asked to recommend that an effort should be made, by means of a mutual trade treaty, to extend this privilege to include pulp and paper. It was stated that if such a treaty could be accomplished, besides being of advantage to the present operations, it would open up an extensive field of manufacture in the higher grade papers, and of remunerative employment. The request made in this connection was supported by the Premier of New Brunswick on behalf of the province.

(b) *Fish*.—Fish forms one of the most important natural products of the Maritime Provinces, in extent, in quality, and in value. From Grand Manan to Labrador, the coast line, not including bays and indentations, measures over

five thousand miles. Around the Maritime Provinces is an ocean-fishing area of approximately two hundred thousand square miles, or over four-fifths of the entire ocean-fishing area of the North Atlantic. In addition to this ocean area, there are fifteen thousand square miles of inshore fishing waters controlled entirely by the Dominion Government. The commercial products of these extensive areas consist for the most part of cod, haddock, hake, herring, halibut, pollock, mackerel, sardines, salmon, ale-wives, and shell-fish—principally oysters, lobsters and clams. These products are of a high quality, and are exported to many countries.

The average yearly value of the catch in the Maritime Provinces during the five years from 1920 to 1924 inclusive, was approximately \$16,000,000, or over 36 per cent of Canada's total catch during that period. During the year ending March 31, 1925, the capital invested in the Maritime Provinces in equipment for fishing, such as boats, nets, traps, and general gear, was over \$12,000,000, or 52 per cent of the total capital invested in Canada in such equipment. The capital invested in factories and curing establishments was \$5,500,000, or 30 per cent of the total amount invested in all Canada in such establishments. Thus the total investment in the fishing industry of the Maritime Provinces in primary operations and manufacturing was over \$17,500,000, or 40 per cent of the total Canadian investment in the fishing industry. The total number of persons employed in the fishing industry in the Maritime Provinces during the year ending March 31, 1925, was over 34,000, or 50 per cent of the total number employed in this industry in all Canada. The success of the fishing industry may, therefore, be regarded not only as a matter of the utmost importance to the Maritime Provinces but also as a most valuable asset to Canada.

In so far as freight rates on fish are concerned, the same remarks apply here as in the case of forest products, with the addition that speedy transportation is a matter of special importance for the marketing of such a perishable commodity. And, in that connection, as we have already mentioned, the railway administration has promised to discuss with the fish trade of the Maritimes the possibility of additional facilities.

We shall deal with some other aspects of the fishing industry later. Though in the case of fish, particularly cured fish, we had considerable evidence to show the possibility of very greatly extending the market within Canada, representations were made to us, as in the case of forest products, upon the desirability of a trade agreement with the United States. The United States, it is stated, is the natural market for the fresh fish of the Maritime Provinces, particularly of western Nova Scotia, because of its greater demand and its close proximity by water. That market is, at the present time, the principal market for live lobsters, on which there is no duty, and for mackerel and halibut, on which the duty is two cents per pound. The Boston market is only 235 miles distant by sea from Yarmouth, and the distributing point for a population of over 7,000,000 people, while the New York market, twenty-four hours distant from Yarmouth, serves a population of 25,000,000 people. Since the fixing of the present American tariff on Canadian fish, the Yarmouth fishing fleet has dwindled from twenty-seven to six; and their halibut fishing fleet alone has decreased from eighteen to two, while the number of men employed on sea and shore has also greatly decreased from the number employed before that time. There was a consensus of opinion among fishermen and dealers of western Nova Scotia that an effort should be made by the Dominion Government to secure a trade treaty which would have the effect of enabling Canadian fresh fish to enter the American market free of duty, and to have the duty on manufactured fish removed, or considerably lowered.

We have set out these facts in order that the Maritime Provinces' attitude, as represented to us, may be clearly understood. There is a widespread conviction that the customs or trade policies of the Dominion do not take sufficient account of the natural products of the Maritime Provinces. We formed the view that the representations were made not in a selfish spirit which demanded that the interests of Maritime production and activity should be considered without any regard to what the Dominion might look upon as its general interests, but from the aspect that the general interests of the Dominion could not be properly weighed without having regard to Maritime interests and activity. It is true that certain witnesses expressed doubt as to whether the Dominion authorities were prepared, in shaping and administering the general policies of the Dominion, to take regard of Maritime interests, and that it might be that these interests would not be safeguarded unless arrangements were made for the provinces to have control of their own customs and trade policy. On this latter suggestion, the evidence did not satisfy us that either the steps that could be taken, or the results that could be achieved by any such course, had been seriously thought out; nor do we believe, and we have given much thought to the subject, that, within either the spirit or the structure of Confederation, the suggestion contains a workable scheme. Separate provincial negotiations could not, in any event, have the same chances of success in achieving the objective as Dominion negotiation.

The underlying fear of all the witnesses was that the Dominion authorities were giving so much thought to the development of industrial and manufacturing activities that they were neglecting the development also of natural products, a development which was vital to the interests of the Maritime Provinces, without being in any sense inconsistent with, or opposed to, these other interests. We do not ourselves feel it right to express a final view on the proposal for mutual trade treaties for forest products and fish, since that would take us, both in marshalling evidence and deciding upon it, too far beyond the Terms of our Reference, there being other provinces whose interests in these natural products are considerable also, although we do not conceive it likely that they are different. But, we do not see that there can be any prejudice to broad Dominion interests by the Federal Government giving specific consideration to this proposal. Further, we feel that in broad Dominion interests a matter which so vitally affects basic products that are of paramount importance to the Maritime Provinces must be looked at quite definitely and specifically with a view to a deliberate decision being taken. We recommend, therefore, that the Dominion Government should apply its mind to the proposition in the light of Maritime Province interests, and having regard also to the position of other provinces concerned with these same products, and to Dominion interests generally.

21. Coal and Steel.

With regard to the allied industries of coal and steel, much evidence was given to us as to the great handicap which rests upon Nova Scotia industrially as the result of the high cost of rail carriage. So far as steel is concerned, the features in regard to their transportation are sufficiently covered by what we have said under the general heading of transportation.

In regard to coal, a special feature was raised which has a two-fold aspect. The volume of sales of Nova Scotia coal in the St. Lawrence is limited at present to points of discharge for water-borne coal. The advantage of the moderate cost of water transportation is, it is stated, nullified so far as western furtherance is concerned, by the rail rates from Montreal to points conveniently near being charged on a short haul mileage rate whereas coal coming from the United States has the advantage of a long haul mileage rate. To illustrate the incidence of present rates, the case was cited of the coal rate from Montreal to Ottawa,

which is \$1.30 per ton for a haul of 117 miles, this being almost twice the cost of water transportation from Sydney to Montreal, approximately a distance of 850 miles.

It was suggested that by a lower cost of rail carriage for Nova Scotia coal ex-vessel at St. Lawrence ports—such a lower rate, for example, as would apply to the short rail haul if the water distance were regarded by the railways as if it were rail distance—inland furtherance would be considerably facilitated. In so far as this point stands by itself it is obviously a subject matter properly to be dealt with by the railways and by the Railway Commission.

The limitation of the distribution of Nova Scotia coal ex-vessel at St. Lawrence ports was, however, recognized in the action taken by Parliament in the session of 1924 when a subvention was made payable to the railway companies carrying coal, conditional upon a reduction in the then existing rail rates. The effect of this was to relieve the cost of railway carriage, partly at the expense of the Dominion and partly at the expense of the railway. Unfortunately the completion of the arrangements took place at a time of year when it was not possible to take full advantage of it, with the result that although Parliament voted up to \$150,000, only \$9,853 were actually spent. A committee of Parliament which sat during the session of 1926 recommended that early consideration should be given by the Government to the advisability of renewing the subvention, and we would respectfully support that recommendation.

On the subject of a broader Dominion coal policy, several representations were made to us. These representations relate to the development of a wider market in central Canada for the coal output of the Dominion, and have from time to time been submitted, not only to the Dominion Government, but to commissions and committees dealing with the subject. There is, first, the question of coking plants.

22. Coking Plants.

There can be no doubt that the establishment of coking plants, under the assistance of the Dominion Government for the coking of Canadian coal, would go far towards solving the coal problem in the Maritime Provinces. The Dominion Fuel Board has given considerable attention to the subject, and we had the advantage of discussing it with the chairman and the secretary of the Board. They confirmed the evidence which they gave before the Royal Commission respecting the coal mines in the province of Nova Scotia last year, to the effect that coking plants should be established, as set out in the following statement:—

PROPOSED NEW BY-PRODUCT COKE PLANTS

	Coal Carbonized	Coke	Surplus Gas	Cost of Plant
	Per Annum			
	Tons	Tons	In million C. ft. M.	Exclusive of land
Quebec.....	32,900	23,000	220,000	400,000
Montreal.....	574,006	401,500	4,000,000	2,500,000
Ottawa.....	78,500	55,100	550,000	1,500,000
Toronto.....	705,000	494,000	5,000,000	2,600,000
Hamilton.....	157,000	110,000	1,100,000	2,000,000
Port Colborne.....	365,000	255,500	2,560,000	2,000,000
London.....	53,000	37,200	365,000	No figure available
	1,904,000	1,376,000	13,795,000	11,000,000

The Fuel Board is satisfied that a satisfactory coke for domestic purposes can be produced from most of the seams operated in Cape Breton coal fields, having a heat value equal to United States anthracite as now imported into Canada. The Cape Breton coal renders the production of a large amount of slack inevitable, disposal of which is difficult, and their problem would be simplified by the conversion of coal into coke at selected points in Quebec and Ontario, as coal intended for coking has, in any case, to be reduced to a fine state of division.

The reserves of anthracite in the United States may be exhausted in thirty-five years. An unofficial warning was given in 1921 by the United States Bureau of Mines to the Canadian Department of Mines that "within a short time Canada would have to work out her own solution for replacing the anthracite now imported from America." The consumption of coke in Canada has greatly increased in recent years, and quite recently coking plants have been considerably developed in the United States near to the Canadian border while coking plants within the Dominion itself have also been extended. A Special Committee of the House of Commons dealt with the fuel question last April. The establishment of coking plants at convenient centres in Canada, under Government assistance, was approved of by them, as an important step in the development of a national fuel policy for the Dominion.

The matter is one of such serious moment to the coal industry in the Maritime Provinces, and the reaction of industrial activity or depression in that industry is so considerable throughout the Maritime Provinces, that we recommend that immediate practical steps be taken by the federal authorities in regard to the question of coking plants. The subject has been fully investigated from many angles, and the time has arrived when action should be taken if it is to be taken at all. We cannot too strongly emphasize the discouragement which the Maritime Provinces feel at the delay which has already taken place in giving practical shape to a policy which has been recommended so definitely by the Dominion Fuel Board as the only method by which Eastern and Central Canada can be relieved of the dependence upon imported anthracite. The difficulty in the Nova Scotia coal field is to keep winter employment regular. Even a partial displacement of the anthracite imported for domestic uses would provide an outlet for their coal, with definite prospects of growth and permanence, and having the very great advantage that it would increase and make regular their winter employment. It is not possible to exaggerate the dismay and depression with which certain communities in Cape Breton look upon the approach of the winter season, in view of the distress arising through the irregularity of employment that is then experienced. Under a plan which will link their coal production up with coking plants, it would be practicable to mine and bank coal in the winter for transport by water in the open season, and thus provide regular winter employment.

23. Customs Tariff on Coal.

Several features of the Customs Tariff in its relation to coal were brought to our attention, both by the Government of Nova Scotia and by the operators of the coal mines. These we feel ourselves precluded from dealing with, since they are a matter properly to be considered by the Tariff Advisory Board; but we may be permitted to say that we are impressed with the need for reconsideration of the Customs Tariff in its relation to coal, anthracite and coke, and we recommend that the Tariff Advisory Board should be asked to give immediate consideration to the subject.

24. Steel.

The manufacture of steel has, for many years now, been closely associated with the coal enterprise of Nova Scotia. It is, like coal, a matter of very vital moment to the Maritime Provinces. The representations which were made to us by provincial government witnesses, as well as by the operators of coal and

steel, were related not only to the importance of this industry to the Maritimes but also to its importance as a national asset. It was pointed out to us that the Nova Scotia steel industry had been fostered and developed for the purpose of making primary forms of iron and steel, and that "it would be unfortunate for Canada if this original purpose were thwarted because, except as regards Nova Scotia, steel manufacture on a basis of national security does not exist."

It may be true that at its inception the steel enterprise of Nova Scotia looked as much to foreign markets as to the home markets for the merchanting of their products, or even more than to the home market. These foreign markets are not now available because of world economic conditions, but the importance was emphasized to us of ensuring a continuance of the production of steel in Nova Scotia—whether for home or for foreign markets—from the standpoint of the Dominion ensuring the continuance of an important national "foundation production," carried on, as in the Nova Scotia iron and steel industry, from native sources of supply.

A calculation was given to us to show that as a result of the operations of the Customs Tariff—if labour employed in the production of iron and steel and its raw products is taken as the unit for measuring protective value—the protection afforded to Nova Scotia labour is only 28 per cent, whereas elsewhere in Canada the protection to labour is between 85 per cent and 100 per cent.

It was not suggested that in a matter of this kind help should be given without regard to efficiency of manufacture, administration and capitalization; but the steel industry in Nova Scotia has been going through very trying times, and is, in a sense, in course of reconstruction. Independent evidence of an expert character was given to us, that if due regard were paid to the "economic unit" of production in steel, there was no reason why it should not be produced as efficiently and cheaply in Nova Scotia as anywhere else in Canada.

The assistance asked for in respect of the steel industry was:—

- (a) Appropriate tariff adjustments; and
- (b) Bounty.

25. *Steel and Customs Tariff.*

It was submitted that the tendency of the tariff, as affected by successive alterations, has been to lessen the protection upon the primary products of iron and steel and to encourage their importation from other countries as being the raw materials of iron and steel-fabricating and finishing industries in Canada.

In respect of this matter, we do not conceive it to be our duty to express any opinion, since the question is, as we were informed by the Chairman of the Tariff Advisory Board, who met us at our request, at the present moment under the consideration of that Board. But we do regard it as our duty to record that the significance of this industry to the Maritime Provinces was forcibly brought home to us, not only in the manufacturing towns we visited in the Maritimes but also throughout the agricultural districts of the Maritimes. We record this in order to emphasize the need for prompt action.

26. *Bounties.*

It was pointed out to us that, at its inception, the Nova Scotia steel industry enjoyed national aid in the form of a bounty. This system of bounties prevailed for many years.

We were asked to recommend that a bounty should be again made available. In this connection we have thought it right to give consideration to a point which was emphasized in the course of the evidence, viz.—that a drawback of 99 per cent of the duty is given when imported coal is used for metallurgical purposes, and that this is tantamount to giving a bonus of that amount, since it means that the Dominion is yielding up money which otherwise under its general policy in regard to bituminous coal would accrue to it. While there are, no doubt, other

angles from which this concession can be regarded, it does in its operation have the effect of a bonus, and it is difficult to see how the same bonus can be denied to native coal.

Having regard to the bounty system previously applied, and to this aspect of the application of the drawback, we recommend that a bonus should be given in respect of steel when Canadian coal is used in its manufacture, and that the bonus should be calculated on the basis of the present drawback for every ton of coal used in such manufacture.

V.—AGRICULTURE AND MIGRATION

Agriculture is the largest and the most basic industry of the Maritime Provinces. If we say less in relation to this industry than its importance warrants, it is because we feel that the responsibility for its backward condition rests primarily upon the industry itself and upon the provinces. In the course of the evidence, it was suggested that the high cost of living arising, as it was alleged, from the general trade policy of the Dominion, reacted unfavourably upon this industry. Even if this charge could be sustained—and in this connection we refer to a special investigation carried out by the Dominion Bureau of Statistics at our request, of which mention is made later—it is of minor importance as compared with the other factors that seem to us to account for the present condition of affairs.

27. *The Agricultural Industry.*

The agricultural industry in the provinces consists, for the most part, of mixed farming, dairying, fruit growing—largely apples—and poultry raising, with some raising of cattle and sheep. Taken generally throughout the provinces, farming is conducted in small units rather than in large. As a consequence, changes that have taken place in the structure of industrial employment and the periodical depressions in trade and business, have been allowed to react much more definitely upon the agricultural enterprise than would have been the case if farms had been conducted on a larger scale, and with greater initiative in searching for markets.

The agricultural production of the Maritime Provinces, apart from the considerable export market for potatoes, fruit, and dairy products, has depended upon local consumption, but the production is very far short of meeting the local demand, and very far short also of the potential capacity of the provinces. It is the less necessary for us to deal at length with this subject, since the evidence convinced us that public opinion within the Maritime Provinces is now realizing to what extent organized distribution and co-operative marketing must be developed if the industry is to enjoy the prosperous expansion of which it is capable.

28. *Improved Methods.*

It is estimated that between fifteen and twenty million dollars worth of foodstuffs were imported last year into the Maritime Provinces—twelve million dollars worth into Nova Scotia alone—foodstuffs which these provinces are capable of producing in large part themselves. As indication that the situation is being realized, we were afforded most interesting evidence as to the spread of agricultural education and co-operation. The former, carried on by the combined efforts and assistance of the Dominion and Provincial Governments, has resulted in the establishment of experimental farms and demonstration stations—which are overcoming the original prejudice against them—school fairs, county and provincial fairs, seed and grain competitions, co-operative associations for buying and selling, short courses in various phases of farming, travelling lecturers, seed inspection, and other aids, all of which are bringing about improved methods in

production and marketing. These methods should, as no doubt they will be, extended by the continuation of the co-operation between the Federal and Provincial Governments.

There is the complaint that the lack of production is due to the inability to secure easy access to overseas markets—and, as we already indicated, we regard the fuller port development, which we recommend, as a factor calculated to assist considerably in stimulating production throughout the provinces for overseas trade. But it appears to us that the need for an organized effort to stimulate production for home consumption is no less urgent.

We were asked to recommend the continuance of the grant that was made from 1913 to 1923 under the Agricultural Instruction Act, Canada, 1912, but we cannot find any principle upon which we could distinguish between the Maritime Provinces and other provinces in this respect. We cannot, therefore, make any specific recommendation upon it. In any event, we would assume that from the increased financial aid we have earlier recommended, the provinces will be enabled to develop a more extensive agricultural policy.

29. *Migration.*

The feature of agricultural life that was most prominently brought to our notice was the loss of farm population in the Maritime Provinces and the lack of immigration. There can be no doubt that the exodus from the farms of the Maritime Provinces, particularly of young people, has been considerable. The movement, however, has been facilitated, not only because of the "lure of the West," but as much by the state of stagnation into which agriculture has settled in the Maritimes. It seems to us that the exodus has been more the result of that stagnation than the cause. The great possibilities of agricultural development within the Maritimes themselves have not been realized, and the reaction has been that young people have been allowed to become the victims of a growing feeling that there is little hope of much prosperity generally in the provinces. The problem is, in large measure, a psychological one, and it seems to us that it can only be corrected by a greater sense of prospect being developed. That prospect can itself best be developed by a more vigorous concentration on such a basic industry as agriculture and particularly on production, marketing, and distribution.

The features that account for the exodus of the farm population account also for the failure of new colonization and settlement. Much of the evidence we received was directed to default on the part of the federal authorities, whose activities were said to be so completely concentrated on western settlement that Maritime province settlement was ignored. From the investigation which we have made of these charges we are satisfied that they cannot be sustained. Apart from any question of willing default towards the Maritime Provinces, it may quite well be that the federal authorities have been more disposed to help those who were helping themselves. This seems to us to be not unlikely, and not unnatural. In each of the three provinces we inquired as to how many settlers per annum they were able to absorb. The numbers they named surprised us with their smallness being, in no case, greater than 200 families per annum; and there is the further disability that the Maritime Provinces are looking for settlers with capital. There is no adequate system of loans to settlers.

There is undoubtedly need for closer co-operation between the Federal and Provincial Governments on the question of Maritime province colonization. We believe that the federal authorities are anxious to co-operate, but we are not satisfied that the Provincial Governments have made a complete enough, or comprehensive enough, survey of their possibilities for absorbing settlers. This is a matter on which co-operation between the three provinces could be developed with considerable advantage, and we recommend that the federal authorities

should take the matter up with the Governments of the three provinces, with a view to a plan being devised for much more active advertisement abroad of the attractions and advantages of the Maritime Provinces. The provinces should be active participants, at their cost, in any plans devised, so that they can be satisfied that the right kind of effort and method is being followed.

We believe that the great possibilities of agricultural development within the Maritime Provinces have not been appreciated and understood as they should, and that by vigorous organization farm settlement is possible on a very much more extensive scale than the provincial authorities themselves have so far had in mind.

VI. NEW BRUNSWICK RAILWAYS

30. *St. John and Quebec Railway.*

The province of New Brunswick submitted a request that this railway should be taken over by the Dominion Government. By an agreement dated March 5, 1912, between the Dominion, the province of New Brunswick, and the St. John and Quebec Railway Company, the railway company agreed to construct a railway up to the standard of the Transcontinental railway, from the east side of the city of St. John to a point of connection with the Transcontinental at or near the town of Grand Falls in the county of Victoria, a distance of 220 miles.

To assist in the construction, the province agreed to guarantee the debenture stock of the company; and the Dominion, in addition to granting a subsidy, agreed to guarantee the bonds of a bridge company to be incorporated in respect to three bridges necessary to the route. The Dominion also agreed to lease and operate the railway when completed for a period of ninety-nine years, and to pay 40 per cent of the gross receipts to the railway company as rental.

In 1915, by reason of the default of the railway company, the province by legislation became vested of all the shares of the capital stock of the railway company, and has since administered its affairs.

In 1916, we were told, the Dominion cancelled the subsidy formerly granted and the agreement in respect of the three bridges. In lieu thereof, they granted a subsidy for a railway from Andover to Westfield, a distance of 180 miles wholly on the west side of the St. John river. The province then proceeded with the further construction of the railway and completed the same between Centerville and Westfield. But the change in route had the effect of transforming what had been intended to be part of the Transcontinental system into a mere local line.

It was represented to us by the Premier of New Brunswick—and in this he was supported by a former premier—that the change of route was made at the instance of the Dominion authorities, in view of war circumstances, and that in proceeding with the altered scheme the Provincial Government was led to believe that the Dominion authorities would take over the railway eventually. We were assured that it was on the strength of such an understanding that the province proceeded with the work, and we were asked to recommend the Government to take over the railway now.

The terms upon which the railway is leased to the Canadian National Railways are the same as in the original scheme, viz: the province receives 40 per cent of the gross revenues as rental, while the remaining 60 per cent goes to the Canadian National Railways for operating expenses. The result is that both the railway company in respect of its operations, and the Provincial Government in respect of its capital charges, have a deficit. The deficit falling upon the province is of a yearly amount of approximately a quarter of a million dollars. Within recent years, the province has been unable to meet that deficit with the consequence that it has accumulated to the extent of a million and a half dollars.

The burden that has fallen upon the province of New Brunswick in this respect is a matter of most serious consequence to it, and both from the evidence of the Premier and that of representatives of the Board of Trade in St. John, it was clear that the province regards itself as being saddled with a burden which has arisen not as the result of its own doing, but as the result of alteration in the plans made by the Dominion authorities, and a burden which was undertaken under a belief that the Dominion would take it over.

We have had very great difficulty indeed in making up our minds in this matter. The province was responsible for the promotion of the railway and they were influenced in their action by reason of their dissatisfaction that the route taken by the Transcontinental railway was disadvantageous to the port of St. John. The province was trying to rectify what they believed to be an error, by constructing a line along the valley of the St. John river from Grand Falls to the city of St. John. If the present financial situation had arisen merely as the result of an unprofitable undertaking resulting therefrom, we would not have felt able to give their claim consideration. But the alteration in 1916 was, they say, at the instance of the Dominion Government, and relieved the Dominion Government of obligations which they had undertaken in respect of the project as originally planned—a project which might quite reasonably, as the New Brunswick Government allege, have proved to be profitable. We do feel, therefore, that there is need for further investigation into the question of the alleged promise of the Dominion authorities to take the railway over, or into the grounds upon which the belief that such a promise was made is founded. We have tried to get the necessary data on which, ourselves, to express an opinion, but we have been unable to obtain it. This may be due to the fact that the question was only one of many they were submitting to us. We think a further opportunity should be given to the province to establish their case and with that end in view we recommend that the Government should, with the concurrence of the province, set up an *ad hoc* tribunal to inquire into the circumstances surrounding this matter, with power, if they are satisfied that the circumstances justify it, to arrange terms and conditions on which the railway should be taken over by the Government.

31. Kent Northern Railway.

Representations were made to us on behalf of the population of the area covered by the Kent Northern Branch Line Railway, as to the prejudice being suffered by reason of the unsatisfactory service rendered by that line. It appears that at various times proposals have been made that the Government acquire this property and at one time negotiations had reached the point where provision was made by Appropriation Act, No. 2, Chapter No. 52, Statutes of Canada, 1918, for its acquisition at a price of \$60,000, but as this was not acceptable to the owners the sale was not consummated. It was represented to us that the present was an appropriate time to reopen negotiations on that basis and we recommend that this be done.

VII. GENERAL

There remain a few other matters brought to our attention upon which we think it necessary briefly to indicate our views.

32. Trade Development.

Several trade witnesses urged the necessity for a more active organization in respect of Trade Commissioners, and we have looked into the question. It appears to be the case that the Trade Commissioners who represent Canada in different parts of the world have had their opportunities for helping Canadian trade considerably restricted from time to time by changes in departmental policy. One witness gave us in private his own experience of meeting

Canadian Trade Commissioners abroad whose sphere of activity was limited practically to the office which they occupied, there being no money allowance afforded to them to take journeys beyond their immediate locality. It follows from what we have said under Port Development and Ocean Policy, that we regard the work of the Department of Trade and Commerce as being of the greatest national importance in the general organization and co-ordination of Government policy in relation to promotion of Canadian trade. We feel that a more active and vigorous commercial policy should be developed and that much wider scope should be given to the functions and activities of Trade Commissioners, so that interests that depend upon foreign markets may have their own business activity supported. In the nature of Maritime province trade and commerce help such as can be afforded in this direction will be of the greatest importance.

33. *Fisheries Organization.*

We found a widespread feeling in the Maritime Provinces that the Department of Marine and Fisheries had too wide a jurisdiction to permit either of the minister or the deputy minister giving sufficient of their personal time and attention to fishery matters. The suggestion was made that there should be a separate branch in the joint department with a Deputy Minister of Fisheries at its head. In view of the importance of the industry and the distance at which the department has to function from the principal fishery areas, we feel it would be advisable to have a deputy minister whose duties would be confined to that section of the department and who would therefore be freer to keep in close personal touch with its problems by periodical visits to the fishery areas, and we recommend accordingly. It was urged that the deputy minister should in such an event, be a person having practical qualifications.

Between the various interests in the fishing industry in the Maritimes there is a conflict of view on the question of closed seasons and conservation, particularly in regard to lobster fishing, and on the question also of replanting oyster beds. As things are, it is alleged, political influence is often exercised for the prolongation of seasons without due regard to proper conservation. We recommend that the deputy minister should take the whole subject into immediate consideration and that after consulting with scientists, fishermen and fish merchants, appropriate and definite regulations should be framed.

From the evidence we received, we formed the opinion that there is need for much educational work to be done in respect of fisheries, similar in some respects to that carried on by the Department of Agriculture. Such education should include demonstrations at convenient centres in improved methods of curing and canning fish, with particular reference to salting and the relative value of the various grades of salt, instruction in methods of marketing, and emphasis on the food value of the product.

The Government of Nova Scotia asked that we should recommend an alteration in the system of bounty awards, but we are unable to recommend any change in that respect.

34. *Geological Survey.*

The geological surveys of New Brunswick and Prince Edward Island made many years ago are very incomplete in the light of recent knowledge, although the general survey of New Brunswick, has been sufficiently extensive to satisfy present demands. We recommend that the Geological Department undertake, as soon as possible, a more detailed survey of New Brunswick, and an exhaustive survey of Prince Edward Island for the purposes of remapping this province, of investigating its mineral deposits and materials for roadmaking, and of examining the possibilities of its clay resources. It should be remembered, however, that it is not the function of the Geological Survey to undertake work which belongs more fittingly to the prospector and is within the sphere of the provinces themselves.

35. Technical Education.

A claim was made by the province of Nova Scotia to be reimbursed to the extent of approximately \$200,000—a portion of its expenditure on certain educational buildings, apparatus, etc.—such expenditure having been incurred in the developing of technical education in the years before the federal subsidy became available to any of the provinces. We feel that such a scheme could not be recognized without disturbing the whole scheme of federal aid for technical education.

In Prince Edward Island there are no large industries which would justify the establishment of an institution for technical education. As agriculture is their principal interest, the Provincial Government suggested that the technical education legislation should be given a broad application in their case, and that agricultural education should be deemed to be covered by the term "technical education." We recommend this suggestion to the favourable notice of the department.

36. Tourist Traffic.

The Government of Nova Scotia asked us to recommend that a hotel should be built at Halifax by the Canadian National Railways, on the ground that more hotel accommodation was required there if tourist trade were to be encouraged. We feel it is not a subject matter upon which we can make any recommendation, as in our view it is a question for the judgment of the railway administration itself in the light of ordinary business considerations. Tourist traffic is no doubt growing in the Maritime Provinces, and so far as Halifax is concerned there are very many overseas visitors passing through, particularly in winter.

We take the opportunity of saying that it did occur to us that the Provincial Governments themselves could do more than they have done to encourage tourist traffic in view of the natural attractiveness of these provinces for holiday travel. The improved road conditions should help considerably in this direction.

The Dominion Bureau of Statistics has, at our request, prepared the following special statement of amounts expended by tourists for hotel accommodation alone for the years 1924 and 1925 in the various provinces of the Dominion:

	1924	1925
	\$	\$
British Columbia.....	649,235	743,820
Alberta.....	306,295	366,471
Saskatchewan.....	88,636	99,605
Manitoba.....	59,195	78,177
Ontario.....	10,467,889	11,001,282
Quebec.....	7,757,536	8,503,785
New Brunswick.....	112,493	132,165
Nova Scotia.....	963,977	1,045,261
Prince Edward Island.....	18,880	22,295
Total.....	20,424,136	21,992,811

37. City of Halifax—and Railway Property Taxation.

A claim was presented by the mayor of the city of Halifax that the Dominion Government should pay a fair allowance to the city in lieu of the annual civic rates on Canadian National Railways and naval and military property extending for miles within the city.

We do not regard the subject as falling within our Terms of Reference.

38. Maritime Representation.

The question of federal representation from the Maritime Provinces was brought before us, but we do not regard the subject as falling within the Terms of Reference.

39. Statistics.

We have had brought before us the lack of any comprehensive measurement of the trade of the Maritime Provinces with other provinces and with foreign markets. We were ourselves disappointed not to be able to pursue investigations on trade matters along lines which such statistics would have enabled us to do. We found on inquiry at the Dominion Bureau of Statistics that consideration had been given some time ago to this very subject but, mainly through lack of organization in the statistics relating to certain phases of transportation, it was not possible to proceed with the plans that had been formulated. We strongly urge that these difficulties should be overcome, as they can be, and that on this phase of internal trade a system of statistics should be made regularly available from as early a date as possible.

We take this occasion to express our high appreciation of the assistance we have had from the Bureau of Statistics throughout our inquiry. The material which they were able to supply to us has been invaluable; and at our request they have prepared a special memorandum giving the more important statistics of social and economic progress in the Maritime Provinces since Confederation; including also an up-to-date survey of cost of living and cost of production for a typical industry of the Maritimes compared with the rest of Canada and the United States. We recommend the immediate publication of this memorandum as we regard it to be of considerable value in assisting study of the Maritime position.

With regard to the general function of the Bureau of Statistics, we venture to draw attention to the importance of providing a comprehensive statistical organization in a country situated as is Canada with a series of provinces differing often in economic outlook. Very considerable progress has already been made in this direction, but we feel the Bureau could be increased in efficiency by being given improved facilities for the kind of organization it is necessary to develop as an independent central agency covering the activities of all departments from the statistical side.

CONCLUSION

We have approached consideration of the claims and problems of the Maritime Provinces, not from the point of view of finding palliatives for the dissatisfaction and political unrest which have been prevailing in that part of the Dominion, but with an endeavour to apply equitable correction where we have found their claims to be, in our opinion, well founded, and practical solutions—or the basis of practical solutions—where we have found a set of conditions which call for remedy and it was within our Terms of Reference, broadly interpreted, to deal with them.

The last six years have been a period of great commercial and industrial depression throughout most of the world and no doubt the Maritime Provinces have suffered severely. But other parts of the Dominion have had their times of severe stress also, though probably less prolonged, and we do not believe that there is any insurmountable impediment to a revival of enterprise and prosperity in these provinces more than in any other. The Maritime Provinces by reason of their traditions and the virility of their people, can readily become active participants in the future welfare of the Dominion—if they are relieved of the disabilities under which they have been suffering and are enabled to approach their problems with renewed vigour.

We would like to place on record our sense of indebtedness to Mr. R. H. Coats, Dominion Statistician, who has acted as liaison between the Commission and the Government departments, and who has been of the greatest assistance to us not only in the counsel and advice he has given us when we sought for information, but also in making suggestions as to lines of inquiry worthy of being pursued by us. We are also indebted to Mr. Gordon Scott (of Messrs. P. S. Ross & Sons, Montreal, auditors for the last twelve months of the provincial accounts of Nova Scotia and New Brunswick) for the assistance we have had from him in connection with our examination of the provincial accounts, and to Mr. Vincent C. MacDonald for the valuable research work he has done for us.

We feel obliged also to thank all the departmental officers with whom we have been in touch for the courtesy and help they have extended to us.

ANDREW R. DUNCAN,
W. B. WALLACE,
CYRUS MacMILLAN.

F. MACLURE SCLANDERS, *Secretary.*

September 23, 1926.

